

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2015**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____.

Commission file number: **001-33765**

AIRMEDIA GROUP INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

17/F, Sky Plaza

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Dongcheng District, Beijing 100027
The People's Republic of China**
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class
Ordinary shares, par value \$0.001 per share*
American Depositary Shares, each representing
two ordinary shares

Name of each exchange on which registered
The NASDAQ Stock Market LLC
(The NASDAQ Global Select Market)

* Not for trading, but only in connection with the listing on the NASDAQ Global Market of American depositary shares, each representing two ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2015, 124,395,645 ordinary shares, par value US\$0.001 per share, were outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

AIRMEDIA GROUP INC.

Annual Report on Form 20-F

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INTRODUCTION

Except as otherwise indicated by the context, in this annual report:

- "ADS" refers to our American depositary shares, each of which represents two ordinary shares;
- "China" or "PRC" refers to the People's Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;
- "ordinary shares" refers to our ordinary shares, par value US\$0.001 per share;
- "RMB" or "Renminbi" refers to the legal currency of China;
- "U.S. dollars", "\$", "US\$" or "dollars" refers to the legal currency of the United States;
- "VIEs" means our variable interest entities; and
- "we", "us", "our", the "Company" or "AirMedia" refers to the combined business of AirMedia Group Inc., its consolidated subsidiaries, its VIEs and VIEs' subsidiaries.

Although AirMedia does not directly or indirectly own any equity interests in its consolidated VIEs or their subsidiaries, AirMedia is the primary beneficiary of and effectively controls these entities through a series of contractual arrangements with these entities and their record owners. We have consolidated the financial results of these VIEs and their subsidiaries in our consolidated financial statements in accordance with the Generally Accepted Accounting Principles in the United States, or U.S. GAAP. See "Item 4. Information on the Company—C. Organizational Structure," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" and "Item 3. Key Information—D. Risk Factors" for further information on our contractual arrangements with these parties.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain Renminbi figures in this annual report are translated into U.S. dollars solely for the reader's convenience. Unless otherwise noted, all convenience translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB6.4778 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2015. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made under the "safe harbor provisions" of the U.S. Private Securities Litigation Reform Act of 1995.

You can identify these forward-looking statements by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "believe", "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include but are not limited to:

- our growth strategies;
- our future business development, results of operations and financial condition, including the prospect of our new Wi-Fi business;
- our plans to expand our travel advertising network, including the expansion of our network to travel Wi-Fi platforms;
- competition in the advertising industry and in particular, the travel advertising industry in China;

- the expected growth in consumer spending, average income levels and advertising spending levels;
- the growth of the air, train and long-haul bus travel sectors in China; and
- PRC governmental policies relating to the advertising industry.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this annual report. You should read this annual report and the documents that we referred and filed as exhibits to this report in their entirety and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Selected Consolidated Financial Data

The following table represents our selected consolidated financial information. The selected consolidated statements of operations data for the years ended December 31, 2013, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements, which are included in this annual report. The selected consolidated statements of operations data for the years ended December 31, 2011 and 2012 and the selected consolidated balance sheet data as of December 31, 2011, 2012 and 2013, except for the impact of retrospective adjustments for the deconsolidation of our media business in airports (excluding digital TV screens in airports and TV-attached digital frames) and all billboard and LED media business outside of airports (excluding gas station media network and digital TV screens on airplanes), all of which have been classified as discontinued operations, have been derived from our financial statements for the relevant periods, which are not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

These selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and related notes included elsewhere in this annual report and "Item 5. Operating and Financial Review and Prospects" below. Our historical results do not necessarily indicate results expected for any future periods.

	Years Ended December 31,				
	2011	2012	2013	2014	2015
(In thousands of U.S. Dollars, except share, per share and per ADS data)					
Consolidated Statements of Operations Data:					
Revenues:					
<i>Air Travel Media Network</i>	\$ 98,904	\$ 88,564	\$ 80,002	\$ 59,200	\$ 38,917
<i>Gas Station Media Network</i>	12,872	14,217	12,726	11,164	9,840
<i>Other Media</i>	2	2	36	5,583	2,109
Total revenues	111,778	102,783	92,764	75,947	50,866
Business tax and other sales tax	(2,557)	(2,212)	(1,511)	(1,254)	(633)
Net revenues	109,221	100,571	91,253	74,693	50,233
Cost of revenues	105,165	101,044	97,741	96,608	89,577
Gross profit/(loss)	4,056	(473)	(6,488)	(21,915)	(39,344)
Operating expenses:					
Selling and marketing (including share-based compensation of \$1,290, \$730, nil, \$144 and nil in 2011, 2012, 2013, 2014 and 2015, respectively)	9,783	9,110	9,202	12,916	9,611
General and administrative (including share-based compensation of \$2,440, \$1,907, \$943, \$1,137 and \$567 in 2011, 2012, 2013, 2014 and 2015, respectively)	20,017	13,978	15,104	20,620	27,102
Impairment of goodwill	1,003	12,819	-	-	-
Impairment of intangible assets	656	5,059	-	-	-
Total operating expenses	31,459	40,966	24,306	33,536	36,713
Loss from operations	(27,403)	(41,439)	(30,794)	(55,451)	(76,057)
Interest (expense) income	(230)	(250)	(224)	1,058	472
Other income, net	336	505	695	979	1,383
Loss before income taxes	(27,297)	(41,184)	(30,323)	(53,414)	(74,202)
Income tax expenses/ (benefits)	(455)	2,685	(537)	(1,512)	6,421
Loss from continuing operations before (loss) income on equity method investments	(26,842)	(43,869)	(29,786)	(51,902)	(80,623)
(loss)income on equity method investments	(244)	(22)	(69)	(212)	2,352
Net loss from continuing operations	(27,086)	(43,891)	(29,855)	(52,114)	(78,271)
Net income from discontinued operations, net of tax	14,406	11,650	18,335	20,288	221,183
Net (loss) income	(12,680)	(32,241)	(11,520)	(31,826)	142,912
Less: Net (loss)/ income attributable to noncontrolling interests	(3,084)	487	(894)	(6,131)	(6,735)
-Continuing operations	(3,084)	487	(894)	(6,808)	(7,620)
-Discontinued operations	-	-	-	677	885
Net (loss) income attributable to AirMedia Group Inc.'s shareholders	(9,596)	(32,728)	(10,626)	(25,695)	149,647
-Continuing operations	(24,002)	(44,378)	(28,961)	(45,306)	(70,651)

-Discontinued operations	14,406	11,650	18,335	19,611	220,298
Weighted average shares outstanding used in computing net (loss) income per ordinary share					
-basic					
Continuing operations	129,537,955	124,269,245	120,386,635	119,304,773	121,740,194
Discontinued operations	129,537,955	124,269,245	120,386,635	119,304,773	121,740,194
-diluted					
Continuing operations	129,537,955	124,269,245	120,386,635	119,304,773	121,740,194
Discontinued operations	131,876,085	124,275,255	120,391,294	119,924,927	129,372,158
Net (loss) income attributable to AirMedia Group Inc.'s shareholders per ordinary share—basic					
Continuing operations	\$ (0.19)	\$ (0.36)	\$ (0.24)	\$ (0.38)	\$ (0.58)
Discontinued operations	0.11	0.09	0.15	0.16	1.81
Net (loss) income attributable to AirMedia Group Inc.'s shareholders per ordinary share—diluted					
Continuing operations	\$ (0.19)	\$ (0.36)	\$ (0.24)	\$ (0.38)	\$ (0.58)
Discontinued operations	0.11	0.09	0.15	0.16	1.70
Net (loss) income attributable to AirMedia Group Inc.'s shareholders per ADS—basic(1)					
Continuing operations	\$ (0.37)	\$ (0.71)	\$ (0.48)	\$ (0.76)	\$ (1.16)
Discontinued operations	0.22	0.19	0.30	0.33	3.62
Net (loss) income attributable to AirMedia Group Inc.'s shareholders per ADS—diluted(1)					
Continuing operations	\$ (0.37)	\$ (0.71)	\$ (0.48)	\$ (0.76)	\$ (1.16)
Discontinued operations	0.22	0.19	0.30	0.33	3.41

(1) Each ADS represents two ordinary shares.

The following table presents a summary of our consolidated balance sheet data as of December 31, 2011, 2012, 2013, 2014 and 2015:

	As of December 31,				
	2011	2012	2013	2014	2015
	(In thousands of U.S. Dollars)				
Balance Sheet Data:					
Cash	\$ 89,094	\$ 61,020	\$ 38,846	\$ 60,117	\$ 86,960
Total assets	361,468	343,867	402,791	395,597	531,601
Total liabilities	91,410	104,432	111,448	126,725	133,968
Total AirMedia Group Inc.'s shareholders' equity	272,148	241,876	270,966	248,736	386,568
Noncontrolling interests	(2,090)	(2,441)	20,377	20,136	11,065
Total equity	\$ 270,058	\$ 239,435	\$ 291,343	\$ 268,872	\$ 397,633

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our capital stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this annual report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our capital stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We have incurred net losses in the past and may incur losses in the future.

We have incurred net losses in recent years and in spite of our efforts to transition into our new business, we may continue to incur loss in the future. In 2015, we divested most of our air travel advertising business. In our efforts to launch and operate our new Wi-Fi business, we have incurred, and expect to continue to incur, substantial expenses in the form of acquisition of concession rights, initial system development and installation investments and ongoing system operation and maintenance costs. In the event of any significant technology development, we may need to incur further system development expenses. We pay concession fees to the railway administrative bureaus for our operation of on-train Wi-Fi business and purchase bandwidth from mobile data service providers and incur system maintenance costs for both our on-train and on-bus Wi-Fi business. We also pay concession fees for our business of digital TV screens on airplanes and our gas station platform. Those fees constitute a significant part of our cost of revenues and most of our concession fees are fixed under the concession rights contracts with an escalation clause. These fees payments are usually due in advance. However, our revenues may fluctuate significantly from period to period for various reasons. For instance, when new concession rights contracts are signed for a period, additional concession fees are incurred immediately, but it may take some time for us to achieve revenues from these concession rights contracts because it takes time to find advertisers for the time slots and locations made available under these new contracts. Similarly, we need to purchase the bandwidth before we sell our Wi-Fi services to users and we need to maintain our system regardless of the level of revenue. If we are not able to attract enough advertisers and customers, or at all, our revenue will decrease and we may continue to incur losses given most of our costs and expenses are fixed.

We have a limited operating history, which may make it difficult for you to evaluate our business and prospects.

We began our business operations in August 2005 but started our gas station business only in 2013 and started to explore the Wi-Fi business in as recently as 2015. Our limited operating history may not provide a meaningful basis for you to evaluate our business, financial performance and prospects. It is also difficult to evaluate the viability of our new business model because we do not have sufficient experience to address the risks that we may encounter as we explore Wi-Fi platform as a new form of advertising media and enter the new and evolving travel Wi-Fi advertising market. Certain members of our senior management team, especially those who joined us only recently due to our new Wi-Fi business, have worked together for only a relatively short period of time and it may be difficult for you to evaluate their effectiveness, on an individual or collective basis, and their ability to address future challenges to our business. Because of our limited operating history, we may not be able to:

- manage our relationships with relevant parties to retain existing concession rights and obtain new concession rights on commercially advantageous terms or at all;
- retain existing and acquire new advertisers and third party content providers;
- secure a sufficient number of low-cost hardware for our business from our suppliers;
- manage our operations;
- successfully launch new business and operate our existing business;
- respond to competitive market conditions;
- respond to changes in the PRC regulatory regime;
- maintain adequate control of our costs and expenses; or
- attract, train, motivate and retain qualified personnel.

If advertisers or the viewing public do not accept, or lose interest in, our air travel advertising network, we may be unable to generate sufficient cash flow from our operating activities and our business and results of operations could be materially and adversely affected.

Our success in our air travel advertising business depends on the acceptance of our advertising network by advertisers and their interest in it as a part of their advertising strategies. In this annual report, the term "advertisers" refer to the ultimate brand-owners whose brands and products are being publicized by our advertisements, including both advertisers that purchase advertisements directly from us and advertisers that do so through third-party advertising agencies. Our advertisers may elect not to use our services if they believe that consumers are not receptive to our media network or that our network is not a sufficiently effective advertising medium. If consumers find our network to be disruptive or intrusive, airplane companies may refuse to allow us to place our programs on airplanes, and our advertisers may reduce spending on our network.

If we are not able to adequately track air traveler responses to our programs, in particular track the demographics of air travelers most receptive to air travel advertising, we will not be able to provide sufficient feedback and data to existing and potential advertisers to help us generate demand and determine pricing. Without improved market research, advertisers may reduce their use of air travel advertising and instead turn to more traditional forms of advertising that have more established and proven methods of tracking the effectiveness of advertisements.

Demand for our advertising services and the resulting advertising spending by our advertisers may fluctuate from time to time, and our advertisers may reduce the money they spend to advertise on our network for any number of reasons. If a substantial number of our advertisers lose interest in advertising on our media network for these or other reasons or become unwilling to purchase advertising time slots or locations on our network, we will be unable to generate sufficient revenues and cash flow to operate our business, and our business and results of operations could be materially and adversely affected.

If we do not succeed in launching our new Wi-Fi business, our future results of operations and growth prospects may be materially and adversely affected.

Our current strategy mainly includes launching our new Wi-Fi business. We began to explore the new Wi-Fi business in 2015 and are still in the investment and development stage. We have obtained several concession rights from railway administration bureaus and long-haul bus operators in China to install and operate our Wi-Fi systems. We have installed and will continue to install the system hardware on trains and busses in accordance with our concession rights. However, we have not yet tested any monetization models and although we expect to generate advertising fee revenues from our Wi-Fi platform, there is no assurance that our intended advertising customers will find our Wi-Fi advertising platform attractive or that the intended users will find our Wi-Fi services attractive. Advertisers may not find our Wi-Fi services an effective or efficient way of reaching their target audience. Potential new developments in mobile network technologies may make our on-train and on-bus Wi-Fi services less attractive to the passengers. Furthermore, our Wi-Fi business might be regarded as value-added telecommunication service. To provide this type of services, we are required to obtain the relevant telecommunication license from the communication authorities. As a result, we cannot assure you that we will be able to obtain the necessary license soon, if at all, to provide Wi-Fi service. We may also face unexpected new risks as we continue to launch this new business. As a result, we cannot assure you that we will be able to generate enough, or any, revenue from this new business. If we fail to do so, our considerable amounts of fixed concession fees, combined with our lost investment on system development, will materially and adversely affect our business and financial results.

In our new business, we may face new competition. If we cannot successfully address the foregoing new challenges and compete effectively, we may not be able to develop a sufficiently large advertiser base, recover costs incurred for developing and marketing our new business, and eventually achieve profitability from these businesses, and, consequently, our future results of operations and growth prospects may be materially and adversely affected.

We may be adversely affected by a significant or prolonged economic downturn in the level of consumer spending in the industries and markets served by our customers.

Our business depends on demand for our advertising services from our customers, which is affected by the level of business activity and economic condition of our customers and is in turn affected by the level of consumer spending in the markets our customers serve. Therefore, our businesses and earnings are affected by general business and economic conditions in China as well as abroad.

Advertising revenues from advertisers in the automobile industry accounted for 12.8%, 21.8% and 13.8% of our revenues from continuing operations in 2013, 2014 and 2015, respectively. Any significant or prolonged slowdown or decline of this industry or the economy of China, countries with close economic ties with China or the overall global economy will affect consumers' disposable income and consumer spending in these industries, and lead to a decrease in demand for our services. Furthermore, the campaign launched by the Chinese government to curb waste by officials may also lead to decrease in demand for products of our key customers and in turn adversely affect demand for our services.

We derive a significant portion of our revenues from the provision of air travel advertising services. A contraction in the air travel advertising industry in China may materially and adversely affect our business and results of operations.

A significant part of our revenues from continuing operations in 2015 were generated from the provision of air travel advertising services through the display of advertisements on digital TV screens on airplanes. We expect digital TV screens on airplanes to contribute substantially all of our air travel network revenue and a majority of all our revenue in the foreseeable future. If we cannot substantially increase our revenues from our gas station advertising business and cannot successfully generate revenues from our Wi-Fi business, this situation will continue into the foreseeable future. A contraction in air travel advertising industry in China could therefore have a material adverse effect on our business and results of operations.

If we are unable to carry out our operations as specified in existing concession rights contracts, retain or renew existing concession rights contracts or to obtain new concession rights contracts on commercially advantageous terms, we may be unable to maintain or expand our network coverage and our costs may increase significantly in the future.

Our ability to carry out almost all of our business depends on the availability of the necessary concession rights. However, we cannot assure you that we will be able to carry out our operations as specified in our concession rights contracts, and any failure to perform may affect the availability of our concession rights and materially and negatively affect our business.

We may also be unable to retain or renew concession rights contracts when they expire. Most of our concession rights contracts have no automatic renewal provisions. We cannot assure you that we will be able to renew any or all of our concession contracts when they expire. In particular, failure to renew our Wi-Fi concession right contracts will render it hard or impossible for us to recoup our investment in related system development and installation. We enter into on-train Wi-Fi concession rights contracts with railway administrative bureaus, which are governmental agencies, and their renewal decisions may be influenced by their supervising authorities and the changes in policies or regulations in relevant areas. We enter into long-haul bus Wi-Fi concession rights contracts with private companies operating those buses and those companies are price sensitive and may choose not to renew our concession rights but instead enter into contracts with other players who can offer more competitive pricing. Furthermore, even if we manage to renew a concession right contract, the terms of the new contract may not be commercially favorable to us. The concession fees that we incur under our concession rights contracts comprise a significant portion of our cost of revenues, which may further increase upon renewals. If we cannot pass increased concession costs onto our customers, our earnings and our results of operations could be materially and adversely affected. In addition, many of our concession rights contracts contain provisions granting us certain exclusive concession rights. We cannot assure you that we will be able to retain these exclusivity provisions when we renew these contracts. If we were to lose exclusivity, our advertisers may decide to advertise with our competitors or otherwise reduce their spending on our network and we may lose market share.

We cannot assure you that our concession rights contracts will not be unilaterally terminated during their terms, whether with or without justification. In addition, many of our concession rights contracts were entered into with the advertising companies operated by or advertising agencies hired by airline companies, and not with the airline companies directly. Although these advertising companies and agents have generally represented to us in writing that they have the rights to operate advertising media on airplanes and all of them have performed their contractual obligations, we cannot assure you that airline companies will not challenge or revoke the contractual concession rights granted to us by their advertising companies or agents; if such challenges or revocations occur, our revenues and results of operations could be materially and adversely affected.

If we fail to properly perform our existing concession rights contracts, retain existing concession rights contracts or obtain new concession rights contracts on commercially advantageous terms, we may be unable to maintain or expand our network coverage and our costs may increase significantly in the future.

A significant portion of our revenues has been derived from a limited number of airline companies in China. If any of these airline companies experiences a material business or flight disruption or if there are changes in our arrangements with these airline companies, we may incur substantial losses of revenues.

We derived a significant portion of our revenues from continuing operations in 2015 from six airline companies in China. As of the date of this annual report, we have two concession rights contracts to place our programs on China Southern Airline and China Eastern Airline, respectively, which in the aggregate contributed more than a majority of our revenue from digital TV screens on airplanes in 2015. We also pay AirMedia Group Co., Ltd., AM Advertising, to use its concession rights to place our programs on three other network airlines. A material business or flight disruption of any of those airline companies could negatively affect our advertising media on airplanes operated by those companies.

We expect our advertising platform with these abovementioned airline companies to continue to contribute a significant portion of our revenues in the foreseeable future. If any such companies experiences a material business or flight disruption, we would likely lose a substantial amount of revenues.

We depend on third-party program producers to provide the non-advertising content that we include in our programs. Failure to obtain high-quality content on commercially reasonable terms could materially reduce the attractiveness of our network, harm our reputation and materially and adversely affect our business and results of operations.

The programs on the majority of our digital TV screens include both advertising and non-advertising content. Third-party content providers such as Travel Channel, Jiangsu TV, Enlight Media, and Youku Tudou and various other television stations and television production companies have contracts with us to provide the majority of the non-advertising content played over our network, particularly on our digital TV screens on airplanes. There is no assurance that we will be able to renew these contracts, enter into substitute contracts to obtain similar contents or obtain non-advertising content on satisfactory terms, or at all. In addition, some of the third-party content providers that currently do not charge us for their content may do so in the future. To make our programs more attractive, we must continue to secure contracts with these and other third-party content providers. If we fail to obtain a sufficient amount of high-quality content on a cost-effective basis, advertisers may find advertising on our network unattractive and may not wish to purchase advertising time slots or locations on our network, which would materially and adversely affect our business and results of operations.

When our current advertising network of digital TV screens and LED screens becomes saturated on the airlines and in the gas stations where we operate, we may be unable to offer additional time slots or locations to satisfy all of our advertisers' needs, which could hamper our ability to generate higher levels of revenues and profitability over time.

When our network of digital TV screens and LED screens becomes saturated in any particular airline or gas stations where we operate, we may be unable to offer additional advertising time slots or locations to satisfy all of our advertisers' needs. We would need to increase our advertising rates for advertising in such airlines or other locations to increase our revenues. However, advertisers may be unwilling to accept rate increases, which could hamper our ability to generate higher levels of revenues over time. In particular, the utilization rates of our advertising time slots and locations on the three largest airlines in China are higher than those on other airlines, and saturation or oversaturation of digital TV screens on these airlines could have a material adverse effect on our growth prospects.

Our advertising agencies could engage in activities that are harmful to our reputation in the industry and to our business.

We engage third-party advertising agencies to help source advertisers from time to time. These third-party advertising agencies assist us in identifying advertisers and introduce advertisers to us. In return, we pay fees to these advertising agencies if they generate advertising revenues for us. Fees that we pay to these third-party agencies are calculated based on a pre-set percentage of revenues generated from the advertisers introduced to us by the third-party agencies and are paid when payments are received from the advertisers. Our contractual arrangements with these advertising agencies do not provide us with control or oversight over their everyday business activities, and one or more of these agencies may engage in activities that violate PRC laws and regulations governing the advertising industry and related non-advertising content, or other laws and regulations. If the advertising agencies we use violate PRC advertising or other laws or regulations, it could harm our reputation in the industry and have detrimental effects on our business operations.

Because we rely on third-party advertising agencies to help obtain advertisers, if we fail to maintain stable business relations with key third-party agencies or to attract additional agencies on competitive terms, our business and results of operations could be materially and adversely affected.

We engage third-party advertising agencies to help obtain advertisers from time to time. We do not have long-term or exclusive agreements with these advertising agencies, including our key third-party advertising agencies, and cannot assure you that we will continue to maintain stable business relations with them. Furthermore, the fees we pay to these third-party advertising agencies constitute a significant portion of our cost of revenues. If we fail to retain key third-party advertising agencies or to attract additional advertising agencies, we may not be able to retain existing advertisers or attract new advertisers or advertising agencies, or the fees we pay them may have to significantly increase. If any of the above happens, our business and results of operations could be materially and adversely affected.

A limited number of advertisers have historically accounted for a significant portion of our revenues and this dependence may reoccur in the future, which would make us more vulnerable to the loss of major advertisers or delays in payments from these advertisers.

A limited number of advertisers historically accounted for a significant portion of our revenues. Our top five advertisers collectively accounted for approximately 15.1% of our total revenues from continuing operations in 2015.

If we fail to sell our services to one or more of our major advertisers in any particular period, or if a major advertiser purchases fewer of our services, fails to purchase additional advertising time on our network, or cancels some or all of its purchase orders with us, our revenues could decline and our operating results could be adversely affected. The dependence on a small number of advertisers could leave us more vulnerable to payment delays from these advertisers. We are required under some of our concession rights contracts to make prepayments and although we do receive some prepayments from advertisers, there is typically a lag between the time of our prepayment of concession fees and the time that we receive payments from our advertisers. As our business expands and revenues grow, we have experienced and may continue to experience an increase in our accounts receivable. If any of our major advertisers are significantly delinquent with its payments, our liquidity and financial conditions may be materially and adversely affected.

We face significant competition in the advertising industry in China, and if we do not compete successfully against new and existing competitors, we may lose our market share, and our profits may be reduced.

We face significant competition in the advertising industry in China. We compete for advertisers primarily on the basis of price, program quality, the range of services offered and brand recognition. We primarily compete for advertising dollars spent in the air travel advertising industry. We may also face competition from new competitors as we enter into new markets.

Significant competition could reduce our operating margins and profitability and lead to a loss of market share. Some of our existing and potential competitors may have competitive advantages such as significantly greater brand recognition, a longer history in the out-of-home advertising industry and financial, marketing or other resources, and may be able to mimic and adopt our business model. In addition, several of our competitors have significantly larger advertising networks than we do, which gives them an ability to reach a larger number of overall potential consumers and which may make them less susceptible than we are to downturns in particular advertising sectors, such as air travel. Moreover, significant competition will provide advertisers with a wider range of media and advertising service alternatives, which could lead to lower prices and decreased revenues, gross margins and profits focus. We cannot assure you that we will be able to successfully compete against new or existing competitors, and failure to compete may reduce for existing market share and profits.

Our results of operations are largely subject to fluctuations in the demand for air travel and the traffic at Sinopec gas stations. A decrease in the demand for air travel or the traffic at Sinopec gas stations may make it difficult for us to sell our advertising time slots and locations.

To a large extent, our results of operations are linked to the demand for air travel, which fluctuates greatly from period to period, and is subject to seasonality due to holiday travel and weather conditions. The results of our gas station media network may be affected by the traffic at Sinopec gas stations. Other factors that may affect our results include:

- *Downturns in the economy.* Business travel is one of the primary drivers of the air travel industry and it tends to increase in times of economic growth and decrease in times of economic slowdown. A decrease in air passengers in China could lead to lower advertiser spending on our air travel advertising network. Similarly, a downturn in the Chinese economy could lead to less car usage and in turn less traffic at the Sinopec gas station within our network.

- *Plane crashes or other accidents.* An aircraft crash or other accident, such as those in 2014 involving certain Asian-based airlines, could create a public perception that air travel is not safe or reliable, which could result in air travelers being reluctant to fly. Significant aircraft delays due to capacity constraints, weather conditions or mechanical problems could also reduce demand for air travel, especially for shorter domestic flights.

If the demand for air travel or the traffic at the Sinopec gas stations within our network decreases for any of these or other reasons, advertisers may be reluctant to advertise on our network and we may be unable to sell our advertising time slots or locations or charge premium prices.

Past and future acquisitions may have an adverse effect on our ability to manage our business.

We have acquired and may continue to acquire businesses, technologies, services or products which are complementary to our core air travel advertising network business in the future. Past and future acquisitions may expose us to potential risks, including risks associated with:

- the integration of new operations, services and personnel;
- unforeseen or hidden liabilities;
- the diversion of resources from our existing business and technology; or
- failure to achieve the intended objectives of our acquisitions.

Any of these potential risks could have a material and adverse effect on our ability to manage our business, our revenues and net income.

We may need to raise additional debt or sell additional equity securities to make future acquisitions. The raising of additional debt funding by us, if required, would increase debt service obligations and may lead to additional operating and financing covenants, or liens on our assets, that would restrict our operations. The sale of additional equity securities could cause additional dilution to our shareholders.

Our acquisition strategy also depends on our ability to obtain necessary government approvals. See "– Risks Related to Doing Business in China – The M&A Rule sets forth complex procedures for acquisitions conducted by foreign investors which could make it more difficult to pursue growth through acquisitions."

Our quarterly and annual operating results are difficult to predict and have fluctuated and may continue to fluctuate significantly from period to period.

Our quarterly and annual operating results are difficult to predict and have fluctuated and may continue to fluctuate significantly from period to period based on the performance of our new business, the seasonality of air travel, consumer spending and corresponding advertising trends in China. Air travel, gas station traffic and advertising spending in China generally tend to increase during major national holidays in October and tend to decrease during the first quarter of each year. Air travel and advertising spending in China is also affected by certain special events and related government measures. As a result, and also due to the unpredictable performance of our new business, you may not be able to rely on period-to-period comparisons of our operating results as an indication of our future performance. Other factors that may cause our operating results to fluctuate include a deterioration of economic conditions in China and potential changes to the regulation of the advertising industry in China. If our revenues for a particular quarter are lower than we expect, we may be unable to reduce our operating costs and expenses for that quarter by a corresponding amount, and it would harm our operating results for that quarter relative to our operating results for other quarters.

Our business depends substantially on the continuing efforts of our senior executives and other key employees, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our senior executives and other key employees. We rely on their industry expertise, their experience in business operations and sales and marketing, and their working relationships with our advertisers, airports and airlines, and relevant government authorities.

If one or more of our senior executives and other key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all. If any of our senior executives and other key employees joins a competitor or forms a competing company, we may lose advertisers, suppliers, key professionals and staff members. Each of our executive officers and other key employees has entered into an employment agreement with us which contains non-competition provisions. However, if any dispute arises between any of our executive officers and other key employees and us, we cannot assure you the extent to which any of these agreements could be enforced in China, where most of these executive officers and other key employees reside, in light of the uncertainties with China's legal system. See "**Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could limit the legal protections available to us or result in substantial costs and the diversion of resources and management attention.**"

Failure to maintain an effective system of internal control over financial reporting and effective disclosure controls and procedures could have a material and adverse effect on the trading price of our ADSs.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which must also contain management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to the effectiveness of the company's internal control over financial reporting. SEC rules also require every public company to include a management report containing management's assessment of the effectiveness of such company's disclosure controls and procedures in its annual report.

Our management has concluded that we had not maintained effective internal control over financial reporting and disclosure controls and procedures as of December 31, 2015 due to the material weakness identified by our independent registered public accounting firm during the audit of our internal control over financial reporting as of December 31, 2015. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness relates to the weak operating effectiveness and lack of monitoring of controls over financial reporting due to inadequate resources or resources with insufficient experience or training in our financial reporting and internal control team. See "Item 15. Controls and Procedures." Any failure to achieve and maintain effective internal control over financial reporting could negatively affect the reliability of our financial information and reduce investors' confidence in our reported financial information, which in turn could result in lawsuits being filed against us by our shareholders, otherwise harm our reputation or negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements of the Sarbanes-Oxley Act.

We may need additional capital which, if obtained, could result in dilution or significant debt service obligations. We may not be able to obtain additional capital on commercially reasonable terms, which could adversely affect our liquidity and financial position.

We may require additional cash resources due to changed business conditions or other future developments, especially given our investment in our new Wi-Fi business. If our current resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of convertible debt securities or additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity.

In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of alternative advertising media companies;
- conditions of the market;
- our future results of operations, financial condition and cash flows; and
- PRC governmental regulation of foreign investment in advertising services companies in China.

We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

Compliance with PRC laws and regulations may be difficult and could be costly, and failure to comply could subject us to government sanctions.

As an advertising service provider, we are obligated under PRC laws and regulations to monitor the advertising content shown on our network for compliance with applicable law. Violation of these laws or regulations may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the offending advertisements and orders to publish advertisements correcting the misleading information. In case of serious violations, the PRC authorities may revoke our license for advertising business operations. In general, the advertisements shown on our network have previously been broadcast over public television networks and have been subjected to internal review and verification by such networks, but we are still required to independently review and verify these advertisements for content compliance before displaying them. In addition, if a special government review is required for certain product advertisements before they are shown to the public, we are required to confirm that such review has been performed and approval obtained. For advertising content related to certain types of products and services, such as food products, alcohol, cosmetics, pharmaceuticals and medical procedures, we are required to confirm that the advertisers have obtained requisite government approvals, including review of operating qualifications, proof of quality inspection of the advertised products, government pre-approval of the contents of the advertisement and filing with local authorities.

We endeavor to comply with such requirements through means such as requesting relevant documents from the advertisers. However, we cannot assure you that each advertisement that an advertiser provides to us and which we include in our network programs is in full compliance with all relevant PRC advertising laws and regulations or that such supporting documentation and government approvals provided to us are complete. Although we employ qualified advertising inspectors who are trained to review advertising content for compliance with relevant PRC laws and regulations, the content standards in the PRC are less certain and less clear than those in more developed countries such as the United States and we cannot assure you that we will always be able to properly review all advertising content to comply with the PRC standards imposed on us with certainty.

In addition, although we use our best efforts to comply with all relevant laws and regulations and to obtain all necessary certificates, registrations and approvals for our business, due to the complexity of local laws and regulations across China governing outdoor media advertising platforms, there can be no assurance that we will be able to obtain or maintain all necessary approvals. For example, our Wi-Fi business might be regarded as value-added telecommunication service. To provide this type of services, we are required to obtain the relevant telecommunication license from the communication authorities. As a result, we cannot assure you that we will be able to obtain the necessary license soon, if at all, to provide Wi-Fi service. Any delay or failure in obtaining such approvals or licenses could materially and adversely affect our results of operations.

We may be subject to, and may expend significant resources in defending against government actions and civil suits based on the content we provide through our advertising network.

Because of the nature and content of the information displayed on our network, civil claims may be filed against us for fraud, defamation, subversion, negligence, copyright or trademark infringement or other violations. Offensive and objectionable content and legal standards for defamation and fraud in China are less defined than in other more developed countries and we may not be able to properly screen out unlawful content. If consumers find the content displayed on our network to be offensive, the relevant airlines, gas stations, railway bureaus and long-haul bus companies may seek to hold us responsible for any consumer claims or may terminate their relationships with us.

In addition, if the security of our content management system is breached and unauthorized images, text or audio sounds are displayed on our network, viewers or the PRC government may find these images, text or audio sounds to be offensive, which may subject us to civil liability or government censure despite our efforts to ensure the security of our content management system. Any such event may also damage our reputation. If our advertising viewers do not believe our content is reliable or accurate, our business model may become less appealing to viewers in China and our advertisers may be less willing to place advertisements on our network.

We may be subject to intellectual property infringement claims, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially and adversely affect our business.

Our commercial success depends to a large extent on our ability to operate without infringing the intellectual property rights of third parties. We cannot assure you that our displays or other aspects of our business do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses and diversion of management time in defending against these third-party infringement claims, regardless of their merit. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially and adversely affect our business.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters or the outbreak of health epidemic. Any such occurrences could cause severe disruption to our daily operations, and may even require a temporary closure of our facilities. In August 2014, a strong earthquake hit part of Yunnan province in south, and resulted in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future affecting Beijing or another city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property. In addition, any outbreak of avian flu, severe acute respiratory syndrome (SARS), influenza A (H1N1), H7N9, Ebola, or other adverse public health epidemic in China may have a material and adverse effect on our business operations. These occurrences could require the temporary closure of our offices or prevent our staff from traveling to our customers' offices to provide services. Such closures could severely disrupt our business operations and adversely affect our results of operations. These occurrences could reduce air and train travelling in China and adversely affect the results of operations of our related business.

RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with PRC governmental restrictions on foreign investment in the advertising industry and in the operating of non-advertising content, our business could be materially and adversely affected.

Substantially all of our operations are conducted through contractual arrangements with our consolidated VIEs in China: AirMedia Online Network Technology Co., Ltd. or AM Online, Beijing AirMedia Shengshi Advertising Co., Ltd. (previously known as Beijing Shengshi Lianhe Advertising Co., Ltd.), or AirMedia Shengshi, Beijing AirMedia Jiaming Advertising Co., Ltd. (formerly known as Beijing AirMedia UC Advertising Co., Ltd.), or Jiaming Advertising, and Beijing Yuehang Digital Media Advertising Co., Ltd., or AM Yuehang. Although the Foreign-invested Advertising Enterprise Management Regulations, or the Foreign-invested Advertising Regulations, which became effective on October 1, 2008, currently permit 100% foreign ownership of companies that provide advertising services, subject to approval by relevant PRC government authorities, these regulations also require any foreign entities that establish a wholly owned advertising company must have at least three years of direct operations in the advertising industry outside of China. In addition, the Foreign Investment Industrial Guidance Catalogue (revised in 2015), which became effective on April 10, 2015, stated that television program production and operation companies fall into the category of a prohibited foreign investment industry. We believe that these regulations apply to our business and are therefore carrying out the portions of our business that involve the production of non-advertising content through our VIEs. Our wholly owned Hong Kong subsidiary AirMedia (China) Limited, or AM China, the 100% shareholder of our three wholly foreign owned subsidiaries in China, has been operating an advertising business in Hong Kong since 2008, and thus it is allowed to directly invest in advertising business in China. In December 2014, we transferred 100% equity interest in Shenzhen AirMedia Information Technology Co., Ltd., or Shenzhen AM, to AM China to provide advertising services in China directly. In July 2015, Shenzhen AM obtained the approval to include advertising in its scope of business. We therefore intent to gradually shift our advertising business to Shenzhen AM to gradually reduce our reliance on the current VIE structure in terms of our advertising business. Our advertising business is currently primarily provided through our contractual arrangements with certain of our consolidated VIEs in China. These entities directly operate our air advertising network, enter into concession rights contracts related to our air advertising network and sell advertising time slots and locations to our advertisers. In addition, under current PRC regulations, a foreign entity is prohibited from owning more than 50% of any PRC entity that provides value-added telecommunication services, and Wi-Fi services might be regarded as value-added telecommunication business. As a result, we enter into concession rights contracts related to our Wi-Fi business via AM Online, which is expected to directly operate this business. We have contractual arrangements with these VIEs pursuant to which we, through AirMedia Technology (Beijing) Co., Ltd., or AM Technology, provide technical support and consulting services and other services to these entities. We also have agreements with our VIEs and each of their individual shareholders (except Yi Zhang) that provide us with the substantial ability to control these entities. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements."

In January 2016, we, through the nominee shareholders of the respective VIEs, transferred 3.5% equity interest in each of AM Online, AirMedia Shengshi and Jiaming Advertising to Yi Zhang. Yi Zhang is an unrelated third party minority shareholder of those VIEs and did not enter into the same VIE arrangements with us as did the other nominee shareholders. We therefore cannot exert the same level of control over the 3.5% interests of the VIEs owned by Yi Zhang.

Some of our VIE arrangements with AirMedia Shengshi and Jiaming Advertising will expire in 2017. Although we believe we can renew those agreements with the VIEs and their shareholders at that time, if we fail to do so, our control over such VIEs might be adversely affected.

In the opinion of Commerce & Finance Law Offices, our PRC counsel, except as described in this annual report, the VIE arrangements between AM Technology and our consolidated VIEs, as described in this annual report, do not violate PRC law and are valid, binding and legally enforceable. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements and if the shareholders of the VIEs were to reduce their interest in us, their interests may diverge from ours and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so.

Our ability to control the VIEs also depends on the power of attorney AM Technology has to vote on all matters requiring shareholder approval in the VIEs. As noted above, we believe this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the PRC government were to find that the VIE arrangements do not comply with PRC governmental restrictions on foreign investment in the advertising industry and in the operating of non-advertising content, or if the legal structure and contractual arrangements were found to be in violation of any other existing PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the our PRC subsidiaries and affiliates;
- discontinue or restrict the our PRC subsidiaries' and affiliates' operations;
- impose conditions or requirements with which we or our PRC subsidiaries and affiliates may not be able to comply; or
- require us or our PRC subsidiaries and affiliates to restructure the relevant ownership structure or operations.

While we do not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of us, AM Technology, or the VIEs, the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these penalties causes us to lose the power to direct the activities of the VIEs (and VIEs' subsidiaries) that most significantly impact the VIEs (and VIEs' subsidiaries) economic performance or the right to receive substantially all of the benefits from the VIEs (and VIEs' subsidiaries), we would no longer be able to consolidate the VIEs (and VIEs' subsidiaries).

In January 2015, the Ministry of Commerce of the PRC, or the MOFCOM, released for public comments a proposed PRC law regarding foreign invested enterprises, or the Draft FIE Law, which includes VIEs within the scope of entities that could be considered to be foreign invested enterprises, or FIEs, and may be subject to restrictions under existing PRC law on foreign investment in certain categories of industries. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect equity ownership, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control." If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach our VIE arrangements, and our VIEs might be found as controlled by foreign investors. As a result, our VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of FIEs certain entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted or prohibited industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If the contractual arrangements establishing our VIE structure are found to be in violation of any existing law and regulations or future PRC laws and regulations or under the Draft FIE Law if it becomes effective, the relevant PRC government authorities will have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our affiliated Chinese entities, revoking our business licenses or the business licenses of our affiliated Chinese entities, requiring us and our affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our affiliated Chinese entities to discontinue any portion or all of our value-added telecommunications, air-ticketing, travel agency or advertising businesses. Any of these actions could cause significant disruption to our business operations, and have a severe adverse impact on our cash flows, financial position and operating performance. If the imposing of these penalties causes us to lose our rights to direct the activities of and receive economic benefits from our VIEs, which in turn may restrict our ability to consolidate and reflect in our financial statements the financial position and results of operations of our VIEs.

Because some of the shareholders of our VIEs in China are our directors and officers, their fiduciary duties to us may conflict with their respective roles in the VIEs, and their interest may not be aligned with the interests of our unaffiliated public security holders. If any of the shareholders of our VIEs fails to act in the best interests of our company or our shareholders, our business and results of operations may be materially and adversely affected.

Certain of our directors and officers are shareholders in the VIEs, AM Online, AirMedia Shengshi, Jiaming Advertising, and AM Yuehang. Mr. Herman Man Guo, our chairman and chief executive officer, in addition to holding 15.3% in our company, also directly and indirectly holds approximately 77.2% of AM Online, 77.1% of AirMedia Shengshi and 1.00% of Jiaming Advertising. Mr. Qing Xu, our director and executive president, in addition to holding 1.3% of our company, also directly and indirectly holds approximately 14.5% of AM Online, 19.44% of AirMedia Shengshi and 0.21% of Jiaming Advertising. Mr. James Zhonghua Feng, our director, in addition to holding 3.7% of our company, also holds 80% of AM Yuehang and 76.24% of Jiaming Advertising. In addition, Mr. Guo and Mr. Xu are each a director of Jiaming Advertising, AirMedia Shengshi and AM Advertising, Mr. Guo is the legal representative of each of AirMedia Shengshi and Jiaming Advertising and Mr. Xu is the sole director and legal representative of AM Yuehang and the legal representative of AirMedia Online. For these directors and officers, their fiduciary duties toward our company under Cayman law—to act honestly, in good faith and with a view to our best interests—may conflict with their roles in the VIEs, as what is in the best interest of the VIEs may not be in the best interests of our company or the unaffiliated public shareholders of our company.

Currently, we do not have agreements in place that solely target to resolve conflicts of interest arising between our company and the VIEs and their operations. In addition, we have not appointed a separate fiduciary—one without potential conflicts of interest—to serve as the fiduciary of the public unaffiliated security holders of our company. Although our independent directors or disinterested officers may take measures to prevent the parties with dual roles from making decisions that may favor themselves as shareholders of the VIEs, we cannot assure you that these measures would be effective in all instances. If the parties with dual roles do find ways to make and carry out decisions on our behalf that are detrimental to our interest, our business and results of operations may be materially and adversely affected.

Certain provisions in the contractual agreements between AM Technology and our VIEs do impose limits on the rights of the shareholders of the VIEs. For example, each of the individual shareholders of the VIEs (except Yi Zhang) has signed an irrevocable power of attorney authorizing the person designated by AM Technology to exercise its rights as shareholder, including the voting rights, the right to enter into legal documents and the right to transfer its equity interest in the VIEs. However, we cannot assure you that when conflicts of interest arise that each of our VIEs and its respective shareholders will act completely in our interests or that conflicts of interests will be resolved in our favor, or that the above contractual provisions would be sufficient protection for us in the event that shareholders of the VIEs fail to perform under their contracts with AM Technology. In any such event, we would have to rely on legal remedies under PRC law, which may not be effective. See "—We rely on contractual arrangements with our consolidated variable interest entities and their shareholders for a substantial portion of our China operations, which may not be as effective as direct ownership in providing operational control" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements."

We rely on contractual arrangements with our consolidated variable interest entities and their shareholders for a substantial portion of our China operations, which may not be as effective as direct ownership in providing operational control.

We rely on contractual arrangements with AM Online, AirMedia Shengshi, Jiaming Advertising and AM Yuehang to operate our Wi-Fi and air advertising business. For a description of these arrangements, see "Item 4. Information on the Company—C. Organizational Structure" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements." These contractual arrangements may not be as effective as direct ownership in providing control over our VIEs. Under these contractual arrangements, if our VIEs or their shareholders fail to perform their respective obligations, we may have to incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, and we may not be successful.

Many of these contractual arrangements are governed by PRC law and provide for disputes to be resolved through arbitration or litigation in the PRC. The legal environment in the PRC is not as developed as in other jurisdictions such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over our VIEs, and our ability to conduct our business may be negatively affected.

We have not registered the pledge of equity interest by certain shareholder of our consolidated affiliated entities with the relevant authority, and we may not be able to enforce the equity pledge against any third parties who acquire the equity interests in good faith in the relevant consolidated affiliated entities before the pledge is registered.

Except for Yi Zhang, who acquired 3.5% minority equity interest in each of AM Online, AirMedia Shengshi and Jiaming Advertising in January 2016, the individual shareholders of our VIEs, each a consolidated affiliated entity of ours, have pledged all of their equity interests, including the right to receive declared dividends, in the relevant VIEs to AM Technology, our wholly-owned subsidiary. An equity pledge agreement becomes effective among the parties upon execution, but according to the PRC Property Rights Law, an equity pledge is not perfected as a security property right unless it is registered with the relevant local administration for industry and commerce. We have not yet registered the share pledges by shareholders of AM Online, AirMedia Shengshi and Jiaming Advertising. As the registration of these pledges has not yet been completed so far, the pledges, as property rights, have not yet become effective under the PRC Property Rights Law. Before the registration procedures are completed, we cannot assure you that the effectiveness of these pledges will be recognized by PRC courts if disputes arise with respect to certain pledged equity interests or that AM Technology's interests as pledgee will prevail over those of third parties. AM Technology may not be able to successfully enforce these pledges against any third parties who have acquired property right interests in good faith in the equity interests in AM Online, AirMedia Shengshi and Jiaming Advertising. As a result, if AM Online, AirMedia Shengshi or Jiaming Advertising breaches their respective obligations under the various agreements described above, and there are third parties who have acquired equity interests in good faith, AM Technology would need to resort to legal proceedings to enforce its contractual rights under the equity pledge agreements, or the underlying agreements secured by the pledges. We do not have agreements that pledge the assets of the VIEs and their respective subsidiaries for the benefit of us or our wholly owned subsidiaries.

Contractual arrangements we have entered into among our subsidiaries and variable interest entities may be subject to scrutiny by the PRC tax authorities and a finding that we owe additional taxes could substantially increase our taxes owed and reduce our net income and the value of your investment.

Under PRC law, arrangements and transactions among related parties may be audited or challenged by the PRC tax authorities. If any transactions we have entered into among AM Technology and our VIEs are found not to be on an arm's length basis, or to result in an unreasonable reduction in tax under PRC law, the PRC tax authorities have the authority to disallow our tax savings, adjust the profits and losses of our respective PRC entities and assess late payment interest and penalties. A finding by the PRC tax authorities that we are ineligible for the tax savings we achieved would substantially increase our taxes owed and reduce our net income and the value of your investment.

We may rely principally on dividends and other distributions on equity paid by our wholly-owned operating subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we may rely principally on dividends and other distributions on equity paid by AM Technology, Shenzhen AM and Xi'an AM for our cash requirements, including the funds necessary to service any debt we may incur. If AM Technology, Shenzhen AM or Xi'an AM incurs debt on its own behalf in the future, the instruments governing the debt may restrict the ability of these entities to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements AM Technology currently has in place with our VIEs in a manner that would materially and adversely affect AM Technology's ability to pay dividends and other distributions to us.

Furthermore, relevant PRC laws and regulations permit payments of dividends by AM Technology, Shenzhen AM and Xi'an AM only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, AM Technology, Shenzhen AM and Xi'an AirMedia Chuangyi Technology Co., Ltd., or Xi'an AM, are also required to set aside at least 10% of after-tax income based on PRC accounting standards each year to their general reserves until the accumulative amount of such reserves reaches 50% of their respective registered capital.

The registered capital of AM Technology, Shenzhen AM and Xi'an AM is \$45.0 million, \$96.4 million (approximately RMB700 million) and \$50.0 million, respectively. Xi'an AM has made the applicable annual appropriations required under PRC law. AM Technology and Shenzhen AM are not currently required to fund any statutory surplus reserve because AM Technology incurred loss this year and Shenzhen AM still has accumulated losses. Any direct or indirect limitation on the ability of our PRC subsidiaries to distribute dividends and other distributions to us could materially and adversely limit our ability to make investments or acquisitions at the holding company level, pay dividends or otherwise fund and conduct our business.

Although none of AM Technology, Shenzhen AM or Xi'an AM has any present plan to pay any cash dividends to us in the foreseeable future, any limitation on the ability of AM Technology, Shenzhen AM or Xi'an AM to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, or otherwise fund and conduct our business.

RISKS RELATED TO DOING BUSINESS IN CHINA

Adverse changes in the political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and have a material adverse effect on our competitive position.

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by China's economic, political and legal developments. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement and the level and growth rate of economic development.

While the Chinese economy has experienced significant growth in the past decades, growth has been uneven both geographically and among various sectors of the economy, and the rate of growth has been slowing. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may also have a negative effect on us. We cannot predict the future direction of political or economic reforms or the effects such measures may have on our business, financial position or results of operations. Any adverse change in the political or economic conditions in China, including changes in the policies of the PRC government or in laws and regulations in China, could have a material adverse effect on the overall economic growth of China and the industries in which we operate. Such developments could have a material adverse effect on our business, lead to a reduction in demand for our services and materially and adversely affect our competitive position.

Uncertainties with respect to the PRC legal system could limit the legal protections available to us or result in substantial costs and the diversion of resources and management attention.

We conduct our business primarily through AM Technology, Shenzhen AM and Xi'an AM, which are subject to PRC laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly-foreign owned companies. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. PRC legislation and regulations afford significant protections to various forms of foreign investments in China, but since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involve uncertainties, which may limit the legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

Fluctuations in the value of the Renminbi may have a material adverse effect on your investment.

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

The reporting and functional currency of our Cayman Islands parent company is the U.S. dollar. However, substantially all of the revenues and expenses of our consolidated operating subsidiaries and affiliate entities are denominated in Renminbi. Substantially all of our sales contracts are denominated in Renminbi and substantially all of our costs and expenses are denominated in Renminbi. To the extent that we need to convert U.S. dollars into Renminbi for our operations, depreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of dividend distribution or for other business purposes, depreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue which will be exchanged into U.S. dollars and earnings from and the value of any U.S. dollar-denominated investments we make in the future.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited so that we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Restrictions on currency exchange may limit our ability to receive and use our revenues or financing effectively.

Substantially all of our revenues and expenses are denominated in Renminbi. We may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payments of dividends declared, if any, in respect of our ordinary shares or ADSs. Under China's existing foreign exchange regulations, AM Technology, Shenzhen AM and Xi'an AM are able to pay dividends in foreign currencies, without prior approval from the State Administration of Foreign Exchange, or the SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by our subsidiaries and VIEs in China under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if we or other foreign lenders make foreign currency loans to our subsidiaries or VIEs in China, these loans must be registered with the SAFE, and if we finance them by means of additional capital contributions, these capital contributions must be approved by or registered with certain government authorities including the SAFE, the Ministry of Commerce or their local counterparts. These limitations could affect the ability of our subsidiaries in China to exchange the foreign currencies obtained through debt or equity financing, and could affect our business and financial condition.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used within the purpose within the business scope approved by the applicable government authority and unless otherwise provided by law, such RMB capital may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. On November 16, 2011, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Relating to Further Clarification and Regulation of Certain Capital Account Items under Foreign Exchange Control ("Circular 45") to further strengthen and clarify its existing regulations on foreign exchange control under SAFE Circular 142. Circular 45 expressly prohibits foreign invested entities, including wholly foreign owned enterprises such as AM Technology, from converting registered capital in foreign exchange into RMB for the purpose of equity investment, granting certain loans, repayment of inter-company loans, and repayment of bank loans which have been transferred to a third party. Further, Circular 45 generally prohibits a foreign invested entity from converting registered capital in foreign exchange into RMB for the payment of various types of cash deposits. If our VIEs require financial support from us or our wholly foreign-owned enterprises in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund the VIEs' operations will be subject to statutory limits and restrictions, including those described above.

Circular 45 was abolished by SAFE on March 19, 2015 according to a Circular on Promulgating the Abolishment and Invalidation of 50 Foreign Exchange-related Regulatory Documents. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or SAFE Circular 19, which will take effect on June 1, 2015 and will replace SAFE Circular 142. SAFE Circular 19 allows foreign-invested enterprises to settle 100% of their foreign exchange capitals on a discretionary basis and allows ordinary foreign-invested enterprises to make domestic equity investments by capital transfer in the original currencies, or with the amount obtained from foreign exchange settlement, subject to complying with certain requirements. According to SAFE Circular 19, the RMB funds obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capitals shall be managed under the accounts pending for foreign exchange settlement payment, and foreign-invested enterprise shall not use its capital and the RMB funds obtained from foreign exchange settlement for the purposes within the following negative list: for expenditure beyond its business scope or expenditure prohibited by laws and regulations, for investments in securities, unless otherwise prescribed by laws and regulations, for disbursing RMB entrusted loans (unless it is within its business scope), for repaying inter-corporate borrowings (including third-party advances) and repaying RMB bank loans that have been sub-lent to third parties, or for expenses related to the purchase of real estate not for self-use, unless it is a foreign-invested real estate enterprise.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

Regulations promulgated by the SAFE require PRC residents and PRC corporate entities to register with local branches of the SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

On February 15, 2012, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Individuals Participating in an Employee Share Incentive Plan of an Overseas-Listed Company (which replaced the old Circular 78, "Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in an Employee Stock Holding Plan or Stock Option Plan of an Overseas-Listed Company" promulgated on March 28, 2007), or the New Share Incentive Rule. Under the New Share Incentive Rule, PRC citizens who participate in a share incentive plan of an overseas publicly listed company are required to register with SAFE and complete certain other procedures. All such participants need to retain a PRC agent through a PRC subsidiary to register with SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the relevant proceeds. The New Share Incentive Rule further requires that an offshore agent should also be designated to handle matters in connection with the exercise or sale of share options and proceeds transferring for the share incentive plan participants.

We and our PRC employees who have been granted stock options are subject to the New Share Incentive Rule. We are in the process of completing the registration and procedures which the New Share Incentive Rule requires, but the application documents are subject to the review and approval of SAFE, and we can make no assurance as to when the registration and procedures could be completed. If we or our PRC employees fail to comply with the New Share Incentive Rule, we and/or our PRC employees may face sanctions imposed by the foreign exchange authority or any other PRC government authorities.

In addition, the State Administration of Taxation, or SAT, has issued a few circulars concerning employee stock options. Under these circulars, our employees working in China who exercise stock options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or any other PRC government authorities.

Under the SAFE regulations, PRC residents who make, or have previously made, direct or indirect investments in offshore companies, will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to file or update the registration with the local branch of the SAFE, with respect to that offshore company, any material change involving its round-trip investment and capital variation. The PRC subsidiaries of that offshore company are required to urge the PRC resident shareholders to make such updates. If any PRC shareholder fails to make the required SAFE registration or file or update the registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation, to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into their PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, such as restrictions on distributing dividend to our offshore entities or monetary penalties against us. We cannot assure you that all of our shareholders who are PRC residents will make or obtain any applicable registrations or approvals required by these SAFE regulations. The failure or inability of our PRC resident shareholders to comply with these SAFE registration procedures may subject us to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to or obtain foreign-exchange-dominated loans from our company.

As it is uncertain how the SAFE regulations will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Certain measures promulgated by the People's Bank of China on foreign exchange for individuals set forth the respective requirements for foreign exchange transactions by PRC individuals under either the current account or the capital account. Implementing rules for these measures were promulgated by the SAFE which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. The SAFE also promulgated rules under which PRC citizens who are granted stock options by an overseas publicly-listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly-listed company, to register with the SAFE and complete certain other procedures. We and our PRC employees who have been granted stock options are subject to these rules, and we are in the process of completing the required registration and procedures, but the application documents are subject to the review and approval of SAFE, and we can make no assurance as to when the registration and procedures could be completed. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions. See "Item 4. Information on the Company—B. Business Overview—Regulation—SAFE Regulations on Offshore Investment by PRC Residents and Employee Stock Options."

The M&A Rule sets forth complex procedures for acquisitions conducted by foreign investors which could make it more difficult to pursue growth through acquisitions.

The PRC Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, sets forth complex procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Part of our growth strategy includes acquiring complementary businesses or assets. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business or maintain our market share. In addition, if any of our acquisitions were subject to the M&A Rule and were found not to be in compliance with the requirements of the M&A Rule in the future, relevant PRC regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, or take other actions that could materially and adversely affect our business and results of operations.

Changes in laws and regulations governing air travel advertising or otherwise affecting our business in China may result in substantial costs and diversion of resources and may materially and adversely affect our business and results of operations.

There are no existing PRC laws or regulations that specifically define or regulate air travel advertising. Changes in existing laws and regulations or the implementation of new laws and regulations governing the content of air travel advertising and our business licenses or otherwise affecting our business in China may result in substantial costs and diversion of resources and may materially and adversely affect our business prospects and results of operations.

The enforcement of the Labor Contract Law and other labor-related regulations in China may adversely affect our business and our results of operations.

The Labor Contract Law, which came into effect January 1, 2008 and was amended on July 1, 2013, established more restrictions and increased costs for employers to dismiss employees under certain circumstances, including specific provisions relating to fixed-term employment contracts, non-fixed-term employment contracts, task-based employment, part-time employment, probation, consultation with the labor union and employee representative's council, employment without a contract, dismissal of employees, compensation upon termination and for overtime work, and collective bargaining. Under the Labor Contract Law, unless otherwise provided by law, an employer is obligated to sign a labor contract with a non-fixed term with an employee, if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts, or if the employee has worked for the employer for 10 consecutive years. Severance pay is required if a labor contract expires and is not renewed because of the employer's refusal to renew or seeking to renew with less favorable terms. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation for five to 15 days, depending on the employee's number of years of employment. Employees who waive such vacation at the request of employers are entitled to compensation that equals to three times their regular daily salary for each waived vacation day. As a result of these new labor protection measures, our labor costs are expected to increase, which may adversely affect our business and our results of operations. It is also possible that the PRC government may enact additional labor-related legislations in the future, which would further increase our labor costs and affect our operations.

We have limited insurance coverage in China, and any business disruption or litigation we experience may result in our incurring substantial costs and the diversion of resources.

Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for our liability insurance for directors and officers, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation may result in our incurring substantial costs and the diversion of resources.

We may have claims and lawsuits against us that may result in material adverse outcomes.

We have been and will be possibly subject to a variety of claims and lawsuits. For example, The Company and two of its officers were named as defendants in a putative securities class action filed on June 25, 2015. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." This litigation and other claims that may be made against us from time to time are subject to inherent uncertainties. Adverse outcomes in one or more of those claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

If one or more of our PRC subsidiaries fails to maintain or obtain qualifications to receive PRC preferential tax treatments, we will be required to pay more taxes, which may have a material adverse effect on our result of operations.

The EIT Law, which became effective on January 1, 2008, imposes a uniform income tax rate of 25% on most domestic enterprises and foreign investment enterprises. Under this law, entities that qualify as "high and new technology enterprises strongly supported by the state," or HNTE, are entitled to the preferential EIT rate of 15%. A company's status as a HNTE is valid for three years, after which the company must re-apply for such qualification in order to continue to enjoy the preferential EIT rate. In addition, according to relevant guidelines, "new software enterprises" can enjoy an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to a rate of 12.5% for the subsequent three years.

One of our PRC subsidiaries, AM Technology, was recognized as a HNTE under the new rules and therefore, it is entitled to enjoy a preferential EIT rate of 15%. It was also eligible for a 50% tax reduction from 2009 to 2010 under the applicable tax laws and regulations that were in effect before January 1, 2008, the date the EIT Law came into effect. As a result, AM Technology was subject to an EIT rate of 7.5% in 2009 and 2010. In September 2011, AM Technology received the HNTE certificate, and in October 2014, AM Technology successfully renewed its HNTE status and obtained the renewed certificate issued by the competent governmental authority. As a result, AM Technology is expected to be subject to an EIT rate of 15% until 2016 as long as it maintains its HNTE status.

Xi'an AirMedia Chuangyi Technology Co., Ltd., one of our PRC subsidiaries, or Xi'an AM, qualified as a "software enterprise" in August 2008 by the Technology Information Bureau of Shaanxi Province and has received a written approval from Xi'an local tax bureau that it is granted a two-year exemption from EIT commencing on its first profitable year and a 50% reduction of the 25% EIT rate for the succeeding three years. As Xi'an AM first made profit in 2009, it was exempted from EIT in 2009 and 2010, and enjoyed the preferential income tax rate of 12.5% from 2011 to 2013. Xi'an AM received the HNTE certificate jointly issued by the competent governmental authorities in Shaanxi Province in September 2014. As such, Xi'an AM is expected to enjoy a preferential income tax rate of 15% from 2014 to 2016 as long as it maintains its HNTE status.

Shenzhen AirMedia Information Technology Co., Ltd., one of our PRC subsidiaries, or Shenzhen AM, was subject to a 15% preferential EIT rate in 2007 as it is located in Shenzhen and then was subject to EIT on its taxable income from 2008 at the gradual rate as set out in Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives, or "Circular 39." Since Shenzhen AM is also qualified as a "manufacturing foreign-invested enterprise" incorporated prior to the effectiveness of the EIT Law, it is further entitled to a two-year exemption from EIT for the years 2008 and 2009 and preferential rates of 11%, 12% and 12.5% for the years 2010, 2011 and 2012, respectively. Shenzhen AM is subject to EIT at a rate of 25% from 2013 afterwards.

Hainan Jinhui Guangming Media Advertising Co., Ltd., or Hainan Jinhui, one of our VIEs' PRC subsidiaries, is subject to EIT on the taxable income at the gradual rate, which was 22% in 2010, 24% in 2011, 25% in 2012 as set out in Circular 39. Hainan Jinhui is subject to EIT at a rate of 25% in 2013 and thereafter.

We cannot assure you that our PRC subsidiaries will be able to maintain or obtain qualifications to receive the above preferential tax treatments; we will be required to pay more taxes if they fail to become or continue to be eligible to receive PRC tax benefits, which may materially and adversely affect our business and results of operations.

Dividends payable to us by our wholly-owned operating subsidiaries may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income, and dividends distributed to our investors may be subject to more PRC withholding taxes under PRC tax law.

Under the EIT Law and related regulations, dividends payable by a foreign-invested enterprise in China to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, or BVI, where Broad Cosmos Enterprises Ltd., or Broad Cosmos, our wholly-owned subsidiary, is incorporated, does not have such a tax treaty with AM China, the 100% shareholder of AM Technology, Shenzhen AM and Xi'an AM, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income between China and Hong Kong and the relevant rules, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of 5% (if the foreign investor owns directly at least 25% of the shares of the foreign-invested enterprise). However, under recently implemented PRC regulations, now our Hong Kong subsidiary must obtain approval from the competent local branch of the State Administration of Taxation in accordance with the double-taxation agreement among the PRC and Hong Kong in order to enjoy the 5% preferential withholding tax rate. In February 2009, the State Administration of Taxation issued Notice No. 81. According to Notice No. 81, in order to enjoy the preferential treatment on dividend withholding tax rates, an enterprise must be the "beneficial owner" of the relevant dividend income, and no enterprise is entitled to enjoy preferential treatment pursuant to any tax treaties if such enterprise qualifies for such preferential tax rates through any transaction or arrangement, the major purpose of which is to obtain such preferential tax treatment. The tax authority in charge has the right to make adjustments to the applicable tax rates, if it determines that any taxpayer has enjoyed preferential treatment under tax treaties as a result of such transaction or arrangement. In October 2009, the State Administration of Taxation issued another notice on this matter, or Notice No. 601, to provide guidance on the criteria to determine whether an enterprise qualifies as the "beneficial owner" of the PRC sourced income for the purpose of obtaining preferential treatment under tax treaties. Pursuant to Notice No. 601, the PRC tax authorities will review and grant tax preferential treatment on a case-by-case basis and adopt the "substance over form" principle in the review. Notice 601 specifies that a beneficial owner should generally carry out substantial business activities and own and have control over the income, the assets or other rights generating the income. Therefore, an agent or a conduit company will not be regarded as a beneficial owner of such income. Since the two notices were issued, it has remained unclear how the PRC tax authorities will implement them in practice and to what extent they will affect the dividend withholding tax rates for dividends distributed by our subsidiaries in China to our Hong Kong subsidiary. If the relevant tax authority determines that our Hong Kong subsidiary is a conduit company and does not qualify as the "beneficial owner" of the dividend income it receives from our PRC subsidiaries, the higher 10% withholding tax rate may apply to such dividends.

Under the EIT Law and EIT Implementation Rules, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a PRC resident enterprise and is subject to the EIT at the rate of 25% on its worldwide income. The EIT Implementation Rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled overseas-incorporated enterprise is located in China.

In addition, the SAT issued a bulletin on July 27, 2011 to provide more guidance on the implementation of SAT Circular 82 with an effective date to be September 1, 2011. The bulletin made clarification in the areas of resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of the Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises, not to those that, like our company, are controlled by PRC individuals, the determination criteria set forth in SAT Circular 82 and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures that should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

After consulting with our PRC counsel, we do not believe that our holding company and other overseas subsidiaries should be deemed PRC resident enterprises as, among other things, certain of our company's key assets and records, including register of members, board resolutions and shareholder resolutions, are located and maintained outside of the PRC, and we also hold our board and board committee meetings outside of the PRC from time to time. However, we have been advised by our PRC counsel, Commerce & Finance Law Offices, that because there remains uncertainty regarding the interpretation and implementation of the EIT Law and EIT Implementation Rules, it is uncertain whether we will be deemed a PRC resident enterprise. If the PRC authorities were to subsequently determine, or any further regulations provide, that we should be treated as a PRC resident enterprise, we would be subject to a 25% EIT on our global income. To the extent our holding company earns income outside of China, a 25% EIT on our global income may increase our tax burden and could adversely affect our financial condition and results of operations.

If we are regarded as a PRC resident enterprise, dividends distributed from our PRC subsidiaries to us could be exempt from the PRC dividend withholding tax, since such income is exempt under the EIT Law and the EIT Implementation Rules to the extent such dividends are deemed "dividends among qualified PRC resident enterprises." If we are considered a resident enterprise for enterprise income tax purposes, dividends we pay with respect to our ADSs or ordinary shares may be considered income derived from sources within the PRC and subject to PRC withholding tax of 10%. In addition, non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

With the 10% PRC dividend withholding tax, we will incur an incremental PRC tax cost when we distribute our PRC profits to our ultimate shareholders if we are deemed not to be a PRC resident enterprise. On the other hand, if we are determined to be a PRC resident enterprise under the EIT Law and receive income other than dividends, our profitability and cash flow would be adversely impacted due to our worldwide income being taxed in China under the EIT Law.

Moreover, under the EIT Law, foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by us and gains realized on the sale or other disposition of ADSs or ordinary shares, if we are classified as a PRC resident enterprise and such income is deemed to be sourced from within the PRC. Although we are incorporated in the Cayman Islands, it is unclear whether the dividends payable by us or the gains our foreign ADS holders may realize on disposition will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax on our dividend payments will reduce the returns of your investment.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

In connection with the PRC Enterprise Income Tax Law, or the EIT Law, the Ministry of Finance and the State Administration of Taxation jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

On February 3, 2015, the SAT issued the Announcement on Several Issues concerning the Enterprise Income Tax on Indirect Transfers of Properties by Non-Resident Enterprises, or Public Notice 7, to supersede tax rules in relation to the Indirect Transfer of Shares under the original SAT Circular 698, while the other provisions of SAT Circular 698 remain in force. Public Notice 7 covers transactions involving not only Indirect Transfer of Shares as set forth under SAT Circular 698 but also transactions involving an overseas company's indirect transfer of other property or assets (such as real properties) located in China (collectively, "PRC Taxable Properties") through transfer of shares of an offshore intermediary company. Pursuant to Public Notice 7, in the event that non-residential enterprises indirectly transfer PRC Taxable Properties without reasonable commercial purposes in order to evade PRC enterprise income tax, such indirect transfer will be deemed as direct transfer of PRC Taxable Properties and, therefore, be subject to PRC enterprise income tax. In addition, Public Notice 7 provides clearer criteria on how to assess reasonable commercial purposes and allows for safe harbor scenarios applicable to internal group restructurings. Under Public Notice 7, subject to certain exceptions such as internal group restructurings and purchase and sale of shares of the same publicly-listed overseas enterprise in a public securities market, an indirect transfer of PRC Taxable Properties shall be directly deemed as having no reasonable commercial purposes if the following circumstances are satisfied: (i) more than 75% of the value of overseas enterprises' shares directly or indirectly comes from PRC Taxable Properties; (ii) at any time within one year before the indirect transfer of PRC Taxable Properties, more than 90% the total amount of overseas enterprises' assets (excluding cash) are directly or indirectly constituted by their investment within the PRC, or within one year before the indirect transfer of PRC Taxable Properties, more than 90% of the overseas enterprises' income directly or indirectly derive from the PRC; (iii) the overseas enterprises and their controlling enterprises, which directly or indirectly hold PRC Taxable Properties, cannot justify the economic substance of the corporate structure; and (iv) overseas tax payment regarding indirect transfer of PRC Taxable Properties is lower than PRC tax payment regarding direct transfer of PRC Taxable Properties. Public Notice 7 also brings uncertainties to the offshore transferor and transferee of the indirect transfer of PRC Taxable Properties as they have to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. As a result, where non-resident investors were involved in our private equity financing or share transfer of our company between two or more offshore parties, if such transactions were determined by the tax authorities to lack reasonable commercial purpose, we and our non-resident investors may become at risk of being taxed under SAT Circular 698 and Public Notice 7 and may be required to expend valuable resources to comply with SAT Circular 698 and Public Notice 7 or to establish that we should not be taxed under SAT Circular 698 and Public Notice 7, which may have an adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 59, SAT Circular 698 or Public Notice 7, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

If we become directly subject to the scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price and reputation and could result in a loss of your investment in our stock, especially if such matter cannot be addressed and resolved favorably.

Occasionally, U.S. public companies that have substantially all of their operations in China, particularly companies which have completed so-called reverse merger transactions, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. For example, in December 2012, the SEC initiated administrative proceedings against the China affiliates of the Big Four public accounting firms for allegedly refusing to produce audit work papers and other documents related to certain China-based companies under investigation by the SEC for potential accounting fraud against U.S. investors. Although the firms reached a settlement with the SEC and although we were not and are not subject to any ongoing SEC investigations, many U.S. listed Chinese companies are now subject to, or may become subject to, shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. As a result of this proceeding and the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our Company, our business and our stock price. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our company. This situation will be costly and time consuming and distract our management from growing our company.

The audit report included in this annual report are prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the United States Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples' Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the "Big Four" PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934.

Starting in 2011, the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, were affected by a conflict between the United States' and Chinese laws. Specifically, for certain U.S. listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from these Chinese accounting firms access to their audit work papers and related documents. The firms were, however, advised and directed that under China law they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the China Securities Regulatory Commission, or the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although such proposed penalties did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet the specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms, depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases, the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act and possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ADSs from the Nasdaq Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

RISKS RELATED TO THE MARKET FOR OUR ADSs

There can be no assurance that the proposed going-private transaction will continue to be pursued, approved by our shareholders or successfully consummated. Potential uncertainty involving the proposed going private transaction may adversely affect our business and the market price of our ADSs.

On June 19, 2015, Mr. Herman Man Guo submitted to the board of directors of the Company a preliminary non-binding proposal letter (the "Proposal Letter") to acquire the Company in a going private transaction for \$3.00 in cash per Share (or \$6.00 in cash per ADS) other than any ordinary shares or ADSs of the Company beneficially held by Mr. Herman Man Guo, his affiliates or other management shareholders who may choose to roll over their Shares in connection with the proposed acquisition (the "Proposal"). The proposed purchase price represents a premium of approximately 70.5% to the closing trading price of our ADS on June 18, 2015, the last trading day prior to the date of the going-private proposal. Our board of directors has formed a special committee consisting of three independent directors, Messrs. Conor Chia-hung Yang (to serve as chairman of the committee), Shichong Shan and Songzuo Xiang, to consider the Proposal. There can be no assurance that this going private transaction will continue to be pursued, approved by sufficient affirmative vote or consummated. The going private transaction, whether or not pursued or consummated, presents a risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters.

If the buyers of our equity interest in AM Advertising exercise their respective revocation rights and require us to repurchase the equity interest sold or if we need to compensate the buyers as earnout, our business and financial results may experience material adverse effect.

In June 2015, we entered into an equity interest transfer agreement with Beijing Longde Wenchuang Investment Fund Management Co., Ltd. to sell 75% equity interest of AM Advertising for RMB2.1 billion in cash. In November 2015, Beijing Longde Wenchuang Investment Fund Management Co., Ltd. assigned and transferred its rights and obligations under the equity interest transfer agreement relating to 46.43% equity interest of AM Advertising to Beijing Cultural Center Construction and Development Fund (Limited Partnership). We have completed the equity interest transfer and have received the payments for the transfer. However, under that equity interest transfer agreement, the buyers may require us to repurchase the 75% equity interest upon the occurrence of certain events. In addition, the agreement's earnout provisions will continue to apply until all profit targets have been achieved. See "Item 4. Information on the Company—A. History and Development of the Company." We received a confirmation from a buyer that no such events had occurred as of May 13, 2016 which might trigger the repurchase provisions of the agreement. However, if the buyers become entitled to exercise the revocation right and demand us to repurchase the equity interest, we will need to reverse the transaction and pay the buyers applicable damages. In addition, if we fail to meet the profit targets, we, as a shareholder of AM Advertising, may be required to transfer our equity interest in AM Advertising to the buyers for nil consideration or provide other forms of compensation. In those events, we may not be able to successfully implement our strategy to exit the airport advertising market and we may experience significant disruption to our business in order to re-integrate our sold business. Our financial position may also be materially and adversely affected.

The trading price of our ADSs has been and may continue to be volatile.

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. During the year of 2015, the trading prices of our ADSs on the NASDAQ Global Select Market ranged from \$7.70 to \$1.83 per ADS and the closing sale price on May 13, 2016 was \$4.32 per ADS. The price of our ADSs may fluctuate in response to a number of events and factors including, changes in the economic performance or market valuations of other advertising companies, conditions in the air travel advertising industry and the sales or perceived potential sales of additional ordinary shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

Additional sales of our ordinary shares in the public market, or the perception that these sales could occur, could also cause the market price of our ADSs to decline.

We have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We will have to defend against the putative shareholder class action lawsuit described in "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings," including any appeals of such lawsuits should our initial defense be unsuccessful. We are currently unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of these lawsuits. In the event that our initial defense of these lawsuits is unsuccessful, there can be no assurance that we will prevail in any appeal. Any adverse outcome of these cases, including any plaintiff's appeal of a judgment in these lawsuits, could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depository or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depository to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the U.S. Securities Act of 1933, as amended, or the Securities Act, or an exemption from the registration requirements is available. Under the deposit agreement, the depository bank will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depository may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may decide not to distribute such property to you.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties.

In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, conduct substantially all of our operations in China and most of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through our subsidiaries and VIEs. Most of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult for you to effect service of process within the United States and bring an action against us or against these individuals in a U.S. court if you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2013 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary duties of our directors are to a large extent governed by the common law of the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our controlling shareholders than shareholders of a corporation incorporated in a jurisdiction in the United States.

Our memorandum and articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.

We have included certain provisions in our memorandum and articles of association that could limit the ability of others to acquire control of our company and deprive our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions. The following provisions in our articles may have the effect of delaying or preventing a change of control of our company:

- Our board of directors has the authority to establish from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series, including the designation of the series, the number of shares of the series, the dividend rights, dividend rates, conversion rights, voting rights, and the rights and terms of redemption and liquidation preferences.
- Subject to applicable regulatory requirements, our board of directors may issue additional ordinary shares or rights to acquire ordinary shares without action by our shareholders to the extent of available authorized but unissued shares.

Our corporate actions are substantially controlled by our principal shareholders who could exert significant influence over important corporate matters, which may reduce the price of our ADSs and deprive you of an opportunity to receive a premium for your shares.

Certain principal shareholders hold a substantial percentage of the outstanding shares of our company. For example, as of March 31, 2016, our principal shareholder, Mr. Herman Man Guo, along with his wife, Ms. Dan Shao, beneficially owned approximately 31.7% of our outstanding ordinary shares. Mr. Guo and other principal shareholders of our company could exert substantial influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders.

We are a "foreign private issuer," and have disclosure obligations that are different from those of U.S. domestic reporting companies so you should not expect to receive the same information about us at the same time as a U.S. domestic reporting company may provide.

We are a foreign private issuer and, as a result, we are not subject to certain of the requirements imposed upon U.S. domestic issuers by the SEC. For example, we are not required by the SEC or the federal securities laws to issue quarterly reports or proxy statements with the SEC. We are required to file our annual report within four months of our fiscal year end. We are not required to disclose certain detailed information regarding executive compensation that is required from U.S. domestic issuers. Further, our directors and executive officers are not required to report equity holdings under Section 16 of the Securities Act. We are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5. Since many of the disclosure obligations required of us as a foreign private issuer are different from those required by other U.S. domestic reporting companies, our shareholders should not expect to receive information about us in the same amount and at the same time as information is received from, or provided by, other U.S. domestic reporting companies. We are liable for violations of the rules and regulations of the SEC which do apply to us as a foreign private issuer. Violations of these rules could affect our business, results of operations and financial condition.

We may be classified as a passive foreign investment company, which could result in significant adverse U.S. federal income tax consequences to U.S. Holders.

Although we do not believe that we were classified as a "passive foreign investment company," or "PFIC," for U.S. federal income tax purposes for our taxable year ended December 31, 2015, there is a significant risk that we will be a PFIC for our taxable year ending December 31, 2016 and future taxable years unless the market price of our ADSs increases and/or we invest a substantial amount of cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) 75% or more of its gross income for such year consists of certain types of "passive" income or (2) 50% or more of the average quarterly value of its assets (as generally determined on the basis of fair market value) during such year produce or are held for the production of passive income.

Although the law in this regard is unclear, we treat all our VIEs (and their subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operations of such entities but also because we are entitled to substantially all of the economic benefits associated with such entities, and, as a result, we consolidate such entities' operating results in our consolidated financial statements. If it were determined, however, that we are not the owner of any of our VIEs (or their subsidiaries) for U.S. federal income tax purposes, we could be treated as a PFIC for the current taxable year or any future taxable year.

If we were to be classified as a PFIC in any taxable year, a U.S. Holder (as defined in Item 10. Additional Information—E. —Taxation—United States Federal Income Taxation) may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an "excess distribution" under the U.S. federal income tax rules. Furthermore, a U.S. Holder will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder's holding period in which we become a PFIC and subsequent taxable years even if, we, in fact, cease to be a PFIC in subsequent taxable years. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of an investment in our ADSs or ordinary shares if we are treated as a PFIC for our current taxable year ending December 31, 2016 or any future taxable year, including the possibility of making a "mark-to-market" election. For more information, see "Item 10. Additional Information – E. Taxation – United States Federal Income Taxation".

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in the Cayman Islands on April 12, 2007 and conducted our operations in China through our subsidiaries, consolidated VIEs and the VIEs' subsidiaries. We commenced operations in August 2005 in China through AirMedia Shengshi, a consolidated variable interest entity of our principal subsidiary, AM Technology. Later, we established additional PRC consolidated VIEs to conduct our operations in China. Substantially all of our current operations are conducted through contractual arrangements with these VIEs.

On November 7, 2007, we listed our ADSs on the Nasdaq Global Market under the symbol "AMCN". We and certain of our then shareholders completed the initial public offering of 17,250,000 ADSs, representing 34,500,000 of our ordinary shares, on November 13, 2007. Our ADSs were subsequently transferred to the NASDAQ Global Select Market.

During 2014 and 2015, we dissolved certain non-operating holding entities, including Glorious Star Investment Limited, Dominant City Ltd. and Easy Shop Limited.

In 2015, we sold all equity interest of Jinsheng Advertising, the operating entity of our TV-attached digital frames business. In connection with such equity interest transfer, we have transferred all relevant assets, liabilities and managerial duties related to the TV-attached digital frames to Jinsheng Advertising with net carrying value of \$1.1 million. In 2015, we also divested our digital TV screens in airports and did not renew the relevant concession right contracts as they expired. As a result, we ceased our operation of the business line of digital TV screens in airports.

In June 2015, we entered into a definitive agreement with Beijing Longde Wenchuang Investment Fund Management Co., Ltd. to sell 75% equity interest of AirMedia Group Co., Ltd., or AM Advertising, for a consideration of RMB2.1 billion in cash. In November 2015, Beijing Longde Wenchuang Investment Fund Management Co., Ltd. assigned and transferred its rights and obligations under the equity interest transfer agreement relating to 46.43% equity interest of AM Advertising to Beijing Cultural Center Construction and Development Fund (Limited Partnership). As part of the transaction, we effected an internal business reorganization and transferred all our media business in airports (excluding digital TV screens in airports and TV-attached digital frames) and all billboard and LED media business outside of airports (excluding gas station media network and digital TV screens on airplanes) to AM Advertising to form the target business to be sold (the "Disposed Business") and transferred our other business out of AM Advertising. To effectuate the sale, we removed the VIE structure with respect to AM Advertising. The change in the equity ownership of AM Advertising was registered with the local branch of the State Administration for Industry and Commerce, or the SAIC, in December 2015. We now hold 25% equity interest in AM Advertising and has ceased to consolidate the results of AM Advertising. The buyers may require the Company to repurchase the equity interest of AM Advertising upon the occurrence of any of the following events:

- the audited net profit (before or after adjustment for non-recurring gains and losses, whichever is less) in relation to the Target Business is less than RMB150 million in 2015;
- eighty per cent of the concession right contracts (as calculated based on the contract subject amount) with respect to the Target Business in the area of the Beijing Capital Airport effective as of the date of the equity interest transfer agreement which were entered into by AirMedia Advertising, AirMedia and any of its subsidiaries and/or VIE companies (as set forth in detail in Schedule 6 hereto) are not renewed with AirMedia Advertising as a party to the contract upon the expiration of the respective contracts; and
- the internal restructuring as required under the equity interest transfer agreement has not been fully completed by June 30, 2016.

In addition, the agreement's earnout provisions will continue to apply until all profit targets are achieved. In the event the adjusted net profit of AM Advertising after the provided restructuring in 2015, 2016 and 2017 is less than the profit target provided for in the agreement, we, as a shareholder of AM Advertising, will be obligated to compensate the buyers for the deficiency by nil-consideration equity interest transfers or other means of compensation.

In April 2015, we established AM Online, a variable interest entity of us, to operate the new Wi-Fi business.

In June 2015, Mr. Herman Man Guo submitted to the board of directors of the Company a preliminary nonbinding proposal letter (the "Proposal Letter") to acquire the Company in a going private transaction for \$3.00 in cash per Share (or \$6.00 in cash per ADS) other than any ordinary shares or ADSs beneficially held by Mr. Guo, his affiliates or other management shareholders who may choose to roll over their Shares in connection with the proposed acquisition (the "Proposal"). The board of directors of the Company formed a special committee comprised of three independent and disinterested directors, Messrs. Conor Chia-hung Yang, Shichong Shan and Songzuo Xiang, to negotiate the Proposal with the buyer group. On September 28, 2015, the Company entered into a definitive agreement and plan of merger.

Our principal executive offices are located at 17/F, Sky Plaza, No. 46 Dongzhimenwai Street, Dongcheng District, Beijing 100027, People's Republic of China. Our telephone number at this address is +86-10-8438-6868 and our fax number is +86-10-8460-8658. Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

See "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Capital Expenditures" for a discussion of our capital expenditures.

B. Business Overview

General

We are an operator of out-of-home advertising platforms in China targeting mid-to-high-end consumers as well as a first-mover in the travel Wi-Fi market. As of March 31, 2016, we hold concession rights to install and operate Wi-Fi systems on trains administered by eight regional railway administrative bureaus in China. We also hold concession rights to install and operate Wi-Fi systems on many long-haul buses in China. We have agreements with major bus manufactures in China to pre-install our Wi-Fi systems on their new buses. In terms of in-flight Wi-Fi, we have been in discussion with major Chinese airlines to obtain in-flight concession rights. With respect to our air travel advertising business, as of March 31, 2016, we operate 71,904 digital TV screens on airplanes operated by five airlines, including Air China, China Eastern Airlines, China Southern Airlines, Shanghai Airlines and Xiamen Airlines. We also hold concession rights to operate the advertising media platforms at Sinopec gas stations throughout China until 2020.

The digital TV screens on our network airplanes are located in highly visible locations in passenger compartments and on the backs of passenger seats. We also provide in-flight advertising and non-advertising contents. We enable our advertisers to target air travelers in China, whom we believe are an attractive demographic for our advertisers because they generally have higher-than-average disposable income compared to the rest of China's population.

We combine advertising content with non-advertising content, such as weather, sports and comedy clips, in our digital TV screen programs. We have contracts with many Chinese TV stations such as Dragon TV, the Travel Channel and CCTV-5, to show video clips of their programs in airports and on airplanes. We also obtain TV programs such as documentaries and "hidden camera" type reality shows from other third-party content providers. In January 2014, we entered into a strategic partnership with China Radio International Oriental Network (Beijing) Co., Ltd, which manages the internet TV business of China International Broadcasting Network, to operate the CIBN-AirMedia channel to broadcast network TV programs to air travelers in China. We believe non-advertising program content make air travelers more receptive to the advertisements included in our programs and ultimately make our programs more effective for our advertisers. The length of our in-flight programs typically ranges from approximately 45 minutes to an hour per flight, approximately five to 15 minutes of which consist of advertising content.

We derive revenues principally by selling advertising time slots to our advertisers, including both direct advertisers and advertising agencies. In 2015, we divested our business lines of digital frames in airports, digital TV screens in airports, our traditional media in airports and most of our outdoor media business.

Wi-Fi Business

We have obtained concession rights to install and operate Wi-Fi systems on trains administered by eight regional railway bureaus in China. We also have concession rights to install and operate Wi-Fi systems on many long-haul buses. We are in the process of installing tablet devices at each passenger seat on those trains and buses that will give passengers access to free Wi-Fi as well as a broad range of entertainment and information resources. We plan to place advertisements on our devices and charge advertising fees from our advertiser or agent clients. We also plan to offer passengers with pay-as-you-see movies, TV shows, books, music and other contents. We are in discussion with major Chinese airlines to jointly develop the in-flight Wi-Fi business.

Advertising Network and Services

After our divestitures in 2015, we primarily generate revenues from advertising services from the following platforms: digital TV screens on airplanes and gas station media displays.

Digital TV Screens on Airplanes

As of March 31, 2016, our programs were placed on digital TV screens on planes operated by five airlines in China. The displays on our network airplanes, which have been installed by aircraft manufacturers, are located at the top of passenger compartments and on the back of passenger seats. The digital TV screens at the top of passenger compartments typically range from 9 to 15 inches in size, while the display screens on the back of passenger seats typically range from 7 to 9 inches in size. There are approximately 10 to 280 on an airplane. The TV system installed on each plane differs from one another according to the requirements of each specific airline. For instance, if the airline chooses to implement audio-video on demand, or AVOD, systems and personal TV, or PTV, systems, then it would have to install TV screens on the back of each and every seat on the airplane.

Our airplane display programs are played once for approximately 45 minutes to an hour per flight. Approximately 4.5 to 15 minutes of each program consist of advertising content provided to us by our advertisers and the rest of the program consists of non-advertising content. The non-advertising content on these planes includes travel shows, documentaries, sports and other content similar to that shown on our airport programs. We also promote brand names of our advertisers through our programs by naming our programs after their brand names or displaying their logos on the corner of the screens during the programs. We have obtained rights to play popular films on airplanes in our network. As most of the airplanes on which our programs are played use video tape or DVD players to play video messages and most of these airplanes only have one video tape or DVD player, passengers are not typically given a selection of channels and thus viewership of our programs is generally high.

Gas Station Media Network

We hold concession rights to operate the advertising media platforms at Sinopec gas stations throughout China until 2020. This network consists of outdoor advertising platforms strategically placed in Sinopec gas stations where there is high visibility and significant waiting time. These outdoor advertising platforms consist of LED screens as well as traditional advertising formats such as light boxes and billboards, and display advertising content in week-long slots.

Our Sales Contracts

Our digital TV screens sales contracts typically fix the duration, time and frequency of advertisements. Our gas station advertising sales contracts also have fixed durations, time and frequency of advertisements in general. We offer advertisers spaces on a weekly basis.

We have not yet entered into any advertising sales contracts in relation to our Wi-Fi business.

Payments under certain sales contracts are subject to our advertisers' receipt of monitoring reports which verify the proper display of the advertisements and payment terms mutually agreed by both parties. We generally require our advertisers to submit advertising content at least 10 working days for digital media and 14 working days for traditional media prior to the campaign start date, and reserve the right to refuse to display advertisements not in compliance with content requirements under PRC laws and regulations.

Our Concession Rights Contracts

Airlines

As of March 31, 2016, our programs were placed on digital TV screens located on routes operated by the following airlines:

- Air China;
- China Eastern Airlines;
- China Southern Airlines;
- Shanghai Airlines; and
- Xiamen Airlines.

As of March 31, 2016, we have two concession rights contracts with two Chinese airlines to place our programs on their planes. We also pay AM Advertising to use their concessions to place our programs on three other network airlines. The amount of concession fees or concession use fees payable under these contracts for 2016 is expected to be approximately RMB68.3 million. The scope of the exclusivity, however, varies from contract to contract. Most of these exclusivity provisions limit the exclusivity to certain types of programs played on airplanes. Most of the concession fees are fixed by escalation clauses under the relevant concession rights contracts, and their amounts vary by the number of routes and airplanes, type of aircraft and the departure and destination cities.

Some of the concession rights contracts set forth the number and model of airplanes on which our programs can be played. In 2013, in order to control our concession cost, we changed our business cooperation model with Air China so that instead of holding the exclusive concession rights for Air China, we now purchase advertising time and space slots from a third party with greater flexibility. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—A significant portion of our revenues has been derived from the five largest airports and three largest airlines in China. If any of these airlines experiences a material business disruption or if there are changes in our arrangements with these airlines, we may incur substantial losses of revenues."

We hold 49% of the equity interests in a joint venture, Beijing Eastern Media Corporation, Ltd., or BEMC. BEMC is formed in partnership with China Eastern Media Corporation, Ltd., a subsidiary of China Eastern Group and China Eastern Airlines Corporation Limited operating the media resources of China Eastern Group, which holds 51% equity interests in BEMC. BEMC obtained concession rights of certain media resources from its shareholders, including the digital TV screens on airplanes of China Eastern Airlines, and paid concession fees to its shareholders as consideration. We believe this innovative strategic partnership further strengthened our relationship with China Eastern Group and we renewed our concession rights contract with China Eastern Airlines to operate digital TV screens on China Eastern Airlines on an exclusive basis until December 31, 2020.

Gas Station Media

In April 2009, we entered into a concession rights agreement with Sinopec under which we hold the right to exclusively operate all of the outdoor advertising media at Sinopec gas stations throughout China until December 31, 2014, except for those stations in a limited number of cities whose media platforms have previously been leased by Sinopec to third parties. In August 2013, we extended the concession period with Sinopec to December 31, 2020. For stations with existing media platform lease agreements with third parties, Sinopec will not renew the contracts with third parties when the contracts expire, and will deliver these media platforms to us within a reasonable period. The amount of concession fees payable under these contracts for 2016 is RMB51.4 million.

Wi-Fi Services on Trains

As of the date of this annual report, we have entered into concession rights contracts with authorized affiliates of Beijing, Shanghai, Jinan and Guangzhou railway administrative authorities to provide Wi-Fi services on high speed trains administered by those authorities. Our concession rights from Beijing, Shanghai, Jinan and Guangzhou railway administrative authorities will expire in December 2020, March 2018, January 2018 and May 2017, respectively. Upon contract expiration, we can extend our concession rights for three years contracts with the Beijing and Jinan authorities in the absence of material breach of contract by us during the contract term. We may also enter into new agreements with Shanghai and Guangzhou authorities to extend the concession rights period if we duly perform our obligations under those contracts. Those concession rights are not exclusive.

As of the date of this annual report, we have entered into concession rights contracts with authorized affiliates of Beijing, Shanghai, Jinan, Zhengzhou, Harbin, Hohhot and Urumqi railway administrative authorities to provide Wi-Fi services on regular speed trains administered by those authorities. Expiration dates of those concession rights range from August 2017 to November 2021 and are generally eligible for an extension of three more years subject to the discretion of the relevant authorities. Those concession rights are exclusive.

The amount of concession fee payable under these contracts for 2016 is approximately RMB120 million.

Wi-Fi Services on Long-Haul Buses

In March and April 2016, we entered into concession rights contracts with long-haul bus operators in 11 cities to provide Wi-Fi services on approximately 650 buses under their operation. Concession rights contracts with respect to approximately 130 buses have a five-year term. Concession rights contracts with respect to approximately 340 buses have a ten-year term. The rest of the contracts have a one-year or three-year term. Our concession rights under those contracts are exclusive and none of those contracts contains an automatic renewal clause.

Advertisers, Sales and Marketing

Our Advertisers

Our advertisers purchase advertising time slots and locations on our advertising network either directly from us or through advertising agencies. Many advertisers negotiate the terms of the advertising purchase agreements directly with us, however we also rely on advertising agencies for a significant portion of our sales.

We have a broad base of international and domestic advertisers in various industries. In each of 2013, 2014 and 2015, advisors from one industry, which is automobiles, accounted for more than 10% of our total revenues from continuing operations. Automobile industry advertisers accounted for 13.8%, 21.8% and 12.8% of our total revenues from continuing operations in 2013, 2014 and 2015, respectively. None of our customers accounted for more than 10% of our total revenues for 2013, 2014 and 2015.

Sales and Marketing

We rely on our experienced sales team to assist advertisers in structuring advertising campaigns by analyzing advertisers' target audiences and the form and contents of the advertisement they may be interested in, as well as consumer products and services. We conduct market research, consumer surveys, demographic analysis and other advertising industry research for internal use to help our advertisers to create effective advertisements. We also use third-party market research firms from time to time to obtain the relevant market study data, and at the same time hire such research firms to evaluate the effects of our advertising, so as to evaluate the effectiveness of our network for our advertisers and to illustrate to our advertisers our ability to reach targeted demographic groups effectively.

Our experienced advertising sales team is organized by region and city with a presence in many cities in China. We provide in-house education and training to our sales force to ensure they provide our current and prospective advertisers with comprehensive information about our services, the advantages of using our advertising network as a marketing channel, and relevant information regarding the advertising industry. Our performance-linked compensation structure and career-oriented training are key drivers that motivate our sales employees.

We actively attend various public relation events to promote our brand image and the value of air travel digital advertising. We market our advertising services by displaying our name and logo on all of our digital TV screens on airplanes and gas station LED screens and by placing advertisements on third-party media from time to time, including China Central Television. We also engage third-party advertising agencies to help source advertisers.

Pricing

The listing prices of our air travel advertising services depend on the passenger flow of each airport and airline, the needs of each airline, the number of time slots and display locations purchased, the cost of the relevant media assets, our costs for the relevant concession rights, and competition. The listing prices of our advertising network in Sinopec gas stations depend on economic conditions, GDP, average discretionary income, average income levels and advertising trends in the cities in which the gas stations are located, taking into account the mainstream media advertising pricing and costs (including local news stations, newspapers, bus stop light boxes and outdoor signs) in each city as well as our own display equipment and resource costs for setting up such advertising network. Going forward, we intend to review our listing prices periodically and make adjustments as necessary in light of market conditions.

Prices for advertisements on our network are fixed under our sales contracts with advertisers or advertising agencies, typically at a discount to our listing prices.

Programming

Our digital TV screens on network airplanes play programs ranging from 45 minutes to one hour once per flight. We compile each cycle from advertisements of 5-, 15- or 30-seconds in length provided by advertisers to us and from non-advertising content generated by our VIEs in China or provided by third-party content providers. We generally create a programming list on a weekly and monthly basis for programs played in airports and on airplanes, respectively. We create this list by first fixing the schedule for advertising content according to the respective sales contracts with our advertisers to guarantee the agreed duration, time and frequency of advertisements for each advertiser, then adding the non-advertising content to achieve an optimal blend of advertising and non-advertising content.

Substantially all of the advertisements on our network are provided by our advertisers. All of the advertising content displayed on our advertising network is reviewed by us to ensure compliance with PRC laws and regulations. See "—Regulation—Regulation of Advertising Services—Advertising Content." We update advertising content for our programs played on digital TV screens on airplanes on a monthly basis. A majority of the non-advertising content played on our network is provided by third-party content providers such as Dragon TV, the Travel Channel and various satellite and cable television stations and television production companies. In January 2014, we entered into a strategic partnership with China Radio International Oriental Network (Beijing) Co., Ltd, which manages the internet TV business of China International Broadcasting Network, to operate the CIBN-AirMedia channel to broadcast network TV programs to air travelers in China.

Our programming team edits, compiles and records into digital format for all of our network programs according to the programming list. Each programming list and pre-recorded program is carefully reviewed to ensure the accuracy of the order, duration and frequency as well as the appropriateness of the programming content.

Display Equipment Supplies and Maintenance

The primary hardware required for the operation of our air travel advertising network are the digital TV screens that we use in our media network. The majority of our digital TV screens consist of plasma display panels and LCDs. Maintaining a steady supply of our display equipment is important to our operations and the growth of our network. Our TV screen suppliers typically provide us with one-year warranties. Our service team cleans, maintains and monitors our digital TV screens on airplanes regularly.

For our traditional media platforms in airports, the primary hardware was already established when we purchased the traditional media from airports, and we do not incur significant maintenance costs in relation to these platforms.

For our gas stations media network, the primary hardware consist of basic display equipment that we install and maintain. In 2013, 2014 and 2015, 28, 54 and 57 suppliers, respectively, together supplied a majority of our gas station display equipment. We employed a team of approximately 80 members as of December 31, 2015 to maintain the conditions of our gas station display equipment.

Customer Service

Our customer service team is responsible for contacting third-party research firms to compile evaluation reports based on selective sampling of the status of advertising on our network and providing advertisers with monthly monitoring reports once the relevant advertising campaign is launched on our network. At the same time, we also provide our advertisers with monthly reports prepared by third parties that verify the proper functioning of our displays and the proper dissemination of the advertisement when required by our advertisers; such reports are done through online survey to analyze the effectiveness of and public reaction to the advertisements. In addition, our network airports and airlines as well as gas stations are also actively involved in the monitoring process.


Competition

We compete primarily with several different groups of competitors in the air travel advertising market:

- in-house advertising companies of airlines that may operate their own advertising networks; and
- traditional advertising media, such as newspapers, television, magazines and radio, some of which may advertise in the airports and gas stations where we have operations.

We compete for advertisers primarily on the basis of location, price, program quality, range of services offered and brand recognition. See "Item 3. Key Information—D. Risk Factors — Risks Related to Our Business — We face significant competition in the PRC advertising industry, and if we do not compete successfully against new and existing competitors, we may lose our market share, and our profits may be reduced."

Intellectual Property

To protect our brand and other intellectual property, we rely on a combination of trademark and trade secret laws as well as confidentiality agreements with our employees, sales agents, contractors and others. We have registered 21 major trademarks and one patent in China, including "", "AIRMEDIA", "AirMedia" and "AirTV." We cannot be certain that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights.

We have registered our domain name www.AirMedia.net.cn with the Internet Corporation for Assigned Names and Numbers. As of March 31, 2016, we have registered 16 computer software copyrights with the national copyright administration of China.

Regulation

We operate our business in China under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the National People's Congress, and several ministries and agencies under its authority including the SAIC.

China's Advertising Law was promulgated in 1994. In addition, the State Council, SAIC and other ministries and agencies have issued regulations that regulate our business, all of which are discussed below.

Limitations on Foreign Ownership in the Advertising Industry

The Foreign Investment Industrial Guidance Catalogue, and relevant provisions provide that foreign investment projects are divided into four categories: encouraged, permitted, restricted and prohibited. The foreign investment projects that are encouraged, restricted and prohibited shall be listed in the Foreign Investment Industrial Guidance Catalogue. The foreign investment projects that do not fall into the categories of encouraged, restricted or prohibited projects are considered permitted foreign investment projects and are not listed in the Foreign Investment Industrial Guidance Catalogue. Applicable regulations and approval requirements vary based on the different categories. Investments in the PRC by foreign investors through wholly foreign-owned enterprises must be in compliance with the applicable regulations, and such foreign investors must obtain governmental approvals as required by these regulations. Since the advertising industry is not listed in the Foreign Investment Industrial Guidance Catalogue, it falls into the permitted foreign investment category.

The Foreign-invested Advertising Regulations require foreign entities that establish a wholly owned advertising company must have at least three years of direct operations in the advertising industry outside of China. Since December 10, 2005, foreign investors have been permitted to directly own a 100% interest in advertising companies in China, but such foreign investors are required to be a company with advertising as its main business and to have at least three years of direct operations in the advertising industry outside of China. PRC laws and regulations do not permit the transfer of any approvals, licenses or permits, including business licenses containing a scope of business that permits engaging in the advertising industry. In the event we are permitted to acquire the equity interests of our VIEs under the rules allowing for complete foreign ownership, our VIEs would continue to hold the required advertising licenses consistent with current regulatory requirements.

Currently, our advertising business is mainly conducted through contractual arrangements with our consolidated VIEs in China, including AM Online, AirMedia Shengshi, Jiaming Advertising and AM Yuehang.

Our VIEs are the major companies through which we provide advertising services in China. Our subsidiary, AM Technology, has entered into a series of contractual arrangements with our PRC operating affiliates and their respective subsidiaries and shareholders under which:

- we are able to exert effective control over our PRC operating affiliates and their respective subsidiaries;
- a substantial portion of the economic benefits of our PRC operating affiliates and their respective subsidiaries could be transferred to us; and
- we have an exclusive option to purchase all of the equity interests in our PRC operating affiliates (except for those owned by Yi Zhang) in each case when and to the extent permitted by PRC law.

See "Item 4. Information on the Company—C. Organizational Structure" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements."

In the opinion of Commerce & Finance Law Offices, our PRC legal counsel: except as described in this annual report, the respective ownership structures of AM Technology and our consolidated VIEs do not violate existing PRC laws and regulations, and the contractual arrangements among AM Technology and our consolidated VIEs, in each case governed by PRC law, are valid, binding and enforceable.

We have been advised by our PRC legal counsel, however, that there are some uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities, in particular the SAIC (which regulates advertising companies), will not in the future take a view that is contrary to the opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government determines that the agreements establishing the structure for operating our PRC advertising business do not comply with PRC government restrictions on foreign investment in the advertising industry, we could be subject to severe penalties. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with PRC governmental restrictions on foreign investment in the advertising industry and in the operating of non-advertising content, our business could be materially and adversely affected."

Regulation of Advertising Services

Business License for Advertising Companies

Under applicable regulations governing advertising businesses in China, companies that engage in advertising activities must obtain from the SAIC or its local branches a business license which specifically includes within its scope the operation of an advertising business. Companies conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation. We do not expect to encounter any difficulties in maintaining our business licenses. Each of our VIEs has obtained such a business license from the local branches of the SAIC as required by existing PRC regulations.

Each of Shenzhen AM, AM Technology and Xi'an AM has valid business license as of the date of this report. The business scope of these three entities as set forth in their business licenses include the development of electronic, computer and media-related technologies and products and do not include advertising, due to certain restrictions on foreign ownership of advertising enterprises under PRC law.

Advertising Content

PRC advertising laws and regulations set forth certain content requirements for advertisements in China, which include prohibitions on, among other things, misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited. The dissemination of tobacco advertisements via media is also prohibited as well as the display of tobacco advertisements in public areas. There are also specific restrictions and requirements regarding advertisements that relate to matters such as patented products or processes, pharmaceuticals, medical instruments, agrochemicals, foodstuff, alcohol and cosmetics. In addition, all advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals advertised through any media, together with any other advertisements subject to censorship by administrative authorities under relevant laws and administrative regulations, must be submitted to the relevant administrative authorities for content approval prior to dissemination. We do not believe that advertisements containing content subject to restriction or censorship comprise a material portion of the advertisements displayed on our network.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute are true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the prescribed supporting documents provided by advertisers for advertisements and verify that the content of the advertisements comply with applicable PRC laws and regulations. In addition, prior to distributing advertisements for certain items which are subject to government censorship and approval, advertising distributors are obligated to ensure that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAIC or its local branches may revoke violators' licenses or permits for advertising business operations. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe the legal rights and interests of third parties in the course of their advertising business.

Outdoor Advertising

The PRC Advertising Law stipulates that the exhibition and display of outdoor advertisements must not:

- utilize traffic safety facilities and traffic signs;
- impede the use of public facilities, traffic safety facilities and traffic signs;
- obstruct commercial and public activities or create an unpleasant sight in urban areas;
- be placed in restrictive areas near government offices, cultural landmarks or historical or scenic sites; or
- be placed in areas prohibited by the local governments at or above county level from having outdoor advertisements.

In addition to the Advertising Law, the SAIC promulgated the Outdoor Advertising Registration Administrative Regulations to govern the outdoor advertising industry in China. Outdoor advertisements in China must be registered with the local SAIC before dissemination. The advertising distributors are required to submit an application form and other supporting documents for registration. After review and examination, if an application complies with the requirements, the local SAIC will issue a certificate approving such advertisement. The content, format, specifications, periods and locations of dissemination of the outdoor advertisement must be filed with the local SAIC.

In addition, according to a relevant SARFT circular, displaying audio-video programs such as television news, films and television shows, sports, technology and entertainment through public audio-video systems located in automobiles, buildings, airports, bus or train stations, shops, banks and hospitals and other outdoor public systems must be approved by the SARFT. The relevant authority in China has not promulgated any implementation rules on the procedure of applying for the requisite approval pursuant to the SARFT circular.

Regulations on Foreign Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended (2008). Under these Rules, RMB is freely convertible for current account items, such as trade and service-related foreign exchange transactions, but not for capital account items, such as direct investment, loan or investment in securities outside China unless the prior approval of, and/or registration with, SAFE or its local counterparts (as the case may be) is obtained.

Pursuant to the Foreign Currency Administration Rules, foreign invested enterprises, or FIEs, in China may purchase foreign currency without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, if a foreign company acquires a company in China, the acquired company will also become an FIE. However, the relevant PRC government authorities may limit or eliminate the ability of FIEs to purchase and retain foreign currencies in the future. They may also conduct examination of past foreign exchange transactions. In addition, foreign exchange transactions for direct investment, loan and investment in securities outside China are still subject to limitations and require approvals from, and/or registration with, SAFE.

Regulations on Dividend Distribution

Under applicable PRC regulations, wholly foreign-owned companies in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. Additionally, these wholly foreign-owned companies are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until their cumulative total reserve funds have reached 50% of the companies' registered capitals. At the discretion of these wholly foreign-owned companies, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes.

In addition, under the EIT Law, dividends generated after January 1, 2008 and payable by a FIE in China to its foreign investors who are non-resident enterprises will be subject to a 10% withholding tax unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. BVI, where Broad Cosmos, our wholly owned subsidiary, is incorporated, does not have such a tax treaty with China. AM China, the 100% shareholder of AM Technology, Shenzhen AM and Xi'an AM, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of 5% (if the foreign investor owns directly at least 25% of the shares of the foreign-invested enterprise). In August 2009, the State Administration of Taxation released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation), which took effect on October 1, 2009. Under these measures, our Hong Kong subsidiary needs to obtain approval from the competent local branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the Double Taxation Arrangement. In February 2009, the State Administration of Taxation issued Notice No. 81. According to Notice No. 81, in order to enjoy the preferential treatment on dividend withholding tax rates, an enterprise must be the "beneficial owner" of the relevant dividend income, and no enterprise is entitled to enjoy preferential treatment pursuant to any tax treaties if such enterprise qualifies for such preferential tax rates through any transaction or arrangement, the major purpose of which is to obtain such preferential tax treatment. The tax authority in charge has the right to make adjustments to the applicable tax rates, if it determines that any taxpayer has enjoyed preferential treatment under tax treaties as a result of such transaction or arrangement. In October 2009, the State Administration of Taxation issued another notice on this matter, or Notice No. 601, to provide guidance on the criteria to determine whether an enterprise qualifies as the "beneficial owner" of the PRC sourced income for the purpose of obtaining preferential treatment under tax treaties. Pursuant to Notice No. 601, the PRC tax authorities will review and grant tax preferential treatment on a case-by-case basis and adopt the "substance over form" principle in the review. Notice 601 specifies that a beneficial owner should generally carry out substantial business activities and own and have control over the income, the assets or other rights generating the income. Therefore, an agent or a conduit company will not be regarded as a beneficial owner of such income. Since the two notices were issued, it has remained unclear how the PRC tax authorities will implement them in practice and to what extent they will affect the dividend withholding tax rates for dividends distributed by our subsidiaries in China to our Hong Kong subsidiary. If the relevant tax authority determines that our Hong Kong subsidiary is a conduit company and does not qualify as the "beneficial owner" of the dividend income it receives from our PRC subsidiaries, the higher 10% withholding tax rate may apply to such dividends.

The EIT Law provides, however, that dividends distributed between qualified resident enterprises are exempted from the withholding tax. According to the Implementation Regulations of the EIT Law, the qualified dividend and profit distribution from equity investment between resident enterprises shall refer to investment income derived by a resident enterprise from its direct investment in other resident enterprises, except the investment income from circulating stocks issued publicly by resident enterprises and traded on stock exchanges where the holding period is less than 12 months. As the term "resident enterprises" needs further clarification and interpretation, we cannot assure you that the dividends distributed by AM Technology, Shenzhen AM and Xi'an AM to their direct shareholders would be regarded as dividends distributed between qualified resident enterprises and be exempted from the withholding tax.

Under the EIT Law and related regulations, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a PRC resident enterprise and is subject to the EIT at the rate of 25% on its worldwide income. The related regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled overseas-incorporated enterprise is located in China. In addition, the SAT issued a bulletin on July 27, 2011 to provide more guidance on the implementation of SAT Circular 82 with an effective date to be September 1, 2011. The bulletin provided clarification in the areas of resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of a Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises, not to those that, like our company, are controlled by PRC individuals, the determination criteria set forth in SAT Circular 82 and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures that should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Moreover, under the EIT Law, if we are classified as a PRC resident enterprise and such income is deemed to be sourced from within the PRC, foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by us and gains realized on the sale or other disposition of ADSs or ordinary shares.

See "Item 3. Key Information — D. Risk Factors — Risks Related to our Business — Dividends payable to us by our wholly-owned operating subsidiaries may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income, and dividends distributed to our investors may be subject to more PRC withholding taxes under the PRC tax law."

SAFE Regulations on Offshore Investment by PRC Residents and Employee Stock Options

In October 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Notice 75, which became effective as of November 1, 2005. SAFE Notice 75 suspends the implementation of two prior regulations promulgated in January and April of 2005 by the SAFE. On July 4, 2014, SAFE issued the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Inbound Investment via Special Purpose Vehicles, or SAFE Circular 37, which has superseded SAFE Circular 75. Under SAFE Circular 75, SAFE Circular 37 and other relevant foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is also required to file or update the registration with the local branch of SAFE, with respect to that offshore company for any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or the creation of any security interest. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

In December 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, or the PBOC Regulation, setting forth the respective requirements for foreign exchange transactions by PRC individuals under either the current account or the capital account. In January 2007, the SAFE issued implementing rules for the PBOC Regulation, which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. On February 15, 2012, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Individuals Participating in an Employee Share Incentive Plan of an Overseas-Listed Company (which replaced the old Circular 78, "Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in an Employee Stock Holding Plan or Stock Option Plan of an Overseas-Listed Company" promulgated on March 28, 2007), or the New Share Incentive Rule. Under the New Share Incentive Rule, PRC citizens who participate in a share incentive plan of an overseas publicly listed company are required to register with SAFE and complete certain other procedures. All such participants need to retain a PRC agent through a PRC subsidiary to register with SAFE and handle foreign exchange matters such as opening accounts and transferring and settlement of the relevant proceeds. The New Share Incentive Rule further requires that an offshore agent should also be designated to handle matters in connection with the exercise or sale of share options and proceeds transferring for the share incentive plan participants.

We and our PRC employees who have been granted stock options are subject to the New Share Incentive Rule. We are in the process of completing the required registration and the procedures for the New Share Incentive Rule under PRC laws, but the application documents are subject to the review and approval of the SAFE, and we can make no assurance as to when the registration and procedures will be completed. If we or our PRC employees fail to comply with the New Share Incentive Rule, we and/or our PRC employees may face sanctions imposed by the foreign exchange authority or any other PRC government authorities.

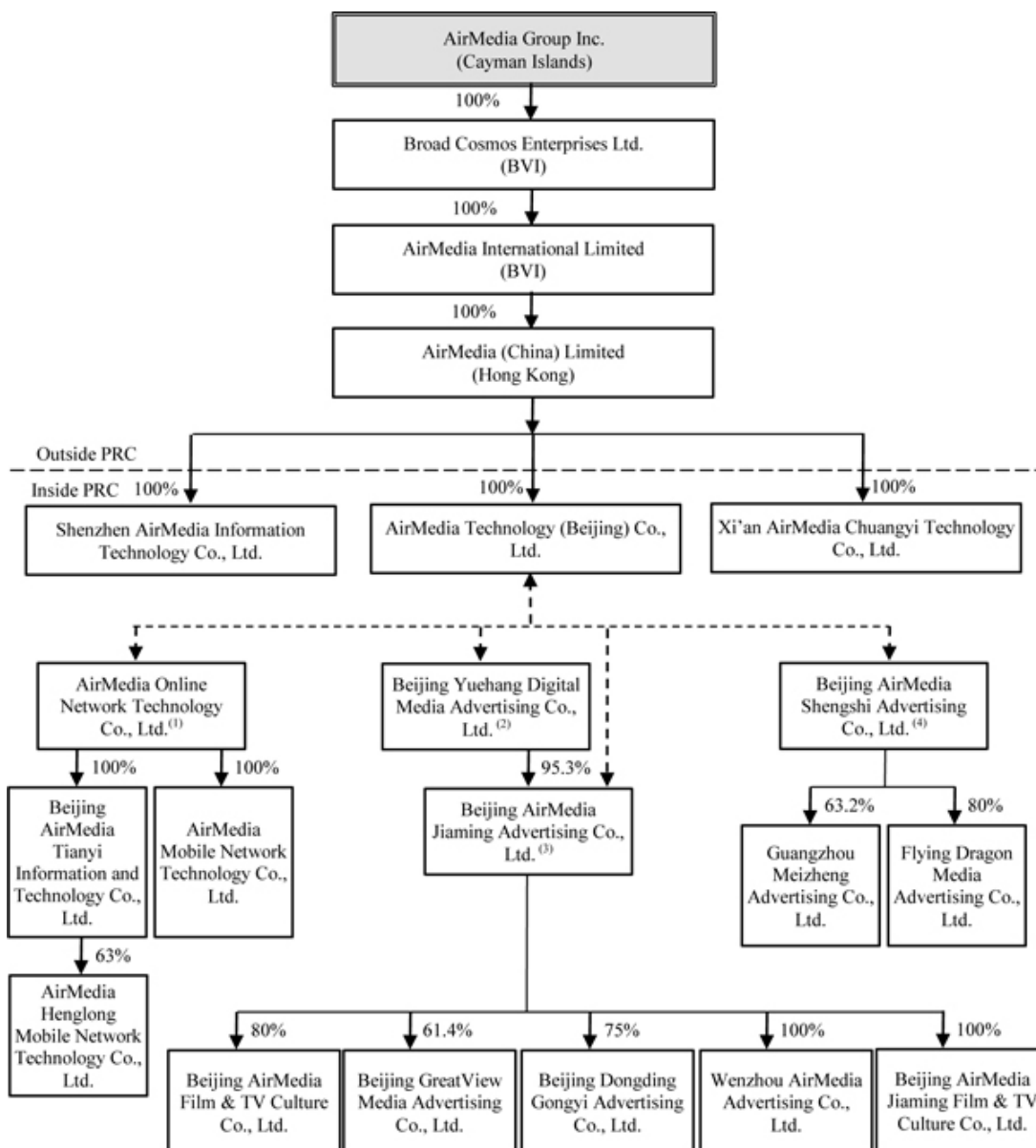
In addition, the State Administration of Taxation has issued a few circulars concerning employee stock options. Under these circulars, our employees working in China who exercise stock options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or any other PRC government authorities.

Seasonality

Our operating results and operating cash flows historically have been subject to seasonal variations. This pattern may change, however, as a result of new market opportunities or new product introductions.

C. Organizational Structure

The following diagram illustrates our principal subsidiaries, VIEs and VIEs' subsidiaries as of March 31, 2016:



Equity Interest

Contractual arrangements. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements."

Notes:

(1) AirMedia Online Network Technology Co., Ltd. is 77.2%, 14.5%, 4.8% and 3.5% owned by Herman Man Guo, Qing Xu, Tao Hong and Yi Zhang, respectively.

- (2) Beijing Yuehang Digital Media Advertising Co., Ltd. is 80% and 20% owned by Zhonghua Feng and Tao Hong, respectively.
- (3) Beijing AirMedia Jiaming Advertising Co., Ltd. is 1.0%, 0.2%, 3.5 % and 95.3% owned by Herman Man Guo, Qing Xu, Yi Zhang and AM Yuehang, respectively.
- (4) Beijing AirMedia Shengshi Advertising Co., Ltd. is 77.1%, 19.4% and 3.5% owned by Herman Man Guo, Qing Xu and Yi Zhang, respectively.

Substantially all of our operations are conducted through contractual arrangements with our consolidated VIEs in China, AirMedia Shengshi, Jiaming Advertising, AM Yuehang and AM Online. We do not have any equity interests in our VIEs, but instead enjoy the economic benefits derived from them through a series of contractual arrangements. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements" for a description of these arrangements.

D. Property, Plants and Equipment

Our headquarters are located in Beijing, China, where we lease approximately 4,439 square meters of office space. Our branch offices lease approximately 1,284 square meters of office space in approximately seven other locations.

In addition, we own approximately 2,109 square meters of office space in China. In September 2014 and April 2015, we entered into the agreements to purchase an office space of approximately 2,109 square meters in Beijing for a total consideration of RMB65 million (US\$10.5 million).

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements because of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this annual report on Form 20-F. See "Forward-looking Information."

A. Operating Results

We are still at an early stage in our expansion into the travel Wi-Fi market. We have obtained several concession rights in this respect and plan to sell advertising spaces to advertisers and advertising agencies and sell pay-per-view contents such as movies, literatures and other contents, to users of our Wi-Fi systems.

Important Factors Affecting the Results of Operations of Our Air Travel Advertising and Gas Station Media Business

The operating results of our air travel advertising and gas station advertising business are substantially affected by the following factors and trends.

Demand for Our Advertising Time Slots and Locations

The demand for our advertising time slots and locations for each of the last three fiscal years was directly related to our customers' available advertising budgets and the attractiveness of our network to our customers. Our network's attractiveness is largely affected by the coverage of our network, which in turn depends on the number of intended audience that our network has the ability to reach. In terms of our air travel advertising network, the number of intended audience we can reach is largely affected by the number of air travelers in China in generally and the scale of our network. The demand for air travel is in turn affected by general economic conditions, the affordability of air travel in China and certain special events that may attract air travelers into and within China. Our customers' advertising spending was also particularly sensitive to changes in general economic conditions. In terms of our gas station media, in addition to the general economic conditions in China, its scope of coverage is also affected by the number of Sinopec gas stations covered by our network and the number of automobile passengers who access those gas stations.

Number of Our Advertising Time Slots and Locations Available for Sale

The number of time slots available for our digital TV screens on airplanes during the period presented is calculated by multiplying the time slots per month for a given airline by the number of months during the period presented when we had operations on such airline and then calculating the sum of all the time slots for each of our network airlines. The number of locations available for sale for our light boxes and billboards in gas stations is defined as the number of light boxes and billboards we operated in Sinopec gas stations.

By increasing the number of airlines and gas stations in our network, we can increase the number of advertising time slots and locations that we have available to sell. In addition, the length of our advertising cycle for our digital TV screens can potentially be extended to longer durations depending on demand on airline. However, advertisers may be unwilling to accept placement of their advertisements on a longer time cycle which decreases the frequencies of their advertisements displayed each day.

Pricing

The average selling price for our advertising time slots is generally calculated by dividing our advertising revenues from these time slots by the number of 30-second equivalent advertising time slots for digital TV screens on airplanes sold during that period. The average selling price for our gas station media is calculated by dividing the revenues derived from all the locations sold by the number of locations sold during the period presented. The primary factors that affect the effective price we charge advertisers for time slots and locations on our network and our utilization rate include the attractiveness of our network to advertisers, which depends on the number of displays and locations, the number and scale of airplanes in our network, the level of demand for time slots and locations, and the perceived effectiveness by advertisers of their advertising campaigns placed on our network. We may increase the selling prices of our advertising time slots and locations from time to time depending on the demand for our advertising time slots, spaces and locations.

A significant percentage of the programs played on our digital TV screens on airplanes included non-advertising content such as TV programs or public service announcements. We did not directly generate revenues from non-advertising content, but we either generated such content through our VIEs or obtained such content from third party content providers. We believe that the combination of non-advertising content with advertising content makes people more receptive to our programs, which in turn makes the advertising content more effective for our advertisers. We believe this in turn allows us to charge a higher price for each advertising time slot. We closely track the program blend and advertiser demand to optimize our ability to generate revenues for each program cycle.

Utilization Rate

The utilization rate of our advertising time slots is the total time slots sold as a percentage of total time slots available during the relevant period. In order to provide meaningful comparisons of the utilization rate of our advertising time slots, we generally normalize our time slots into 30-second units for digital TV screens on airplanes, which we can then compare across network airlines and periods to chart the normalized utilization rate of our network by airlines over time. The utilization rate of our gas stations media is the total number of locations sold as a percentage of the total number of locations available during the relevant period. Our overall utilization rate was primarily affected by the demand for our advertising time slots and locations and our ability to increase the sales of our advertising time slots and locations. We plan to strengthen our sales efforts in these cities by building local sales teams to increase our direct sales of advertising time slots and locations in these cities and ultimately improve our utilization rate.

Network Coverage and Concession Fees

The demand for our advertising time slots and locations and the effective price we charged advertisers for time slots and locations on our network depended on the attractiveness and effectiveness of our network as viewed by our advertisers which, in turn, related to the breadth of our network coverage, including significant coverage on major airlines that advertisers wish to reach. As a result, it has been, and will continue to be, important for us to secure and retain concession rights contracts to place our programs on major airlines and to increase the number of programs we place on those airlines. In addition, it is also important for us to secure and maintain the coverage of our gas station network.

Concession fees constituted a significant portion of our cost of revenues. Concession fees tend to increase over time, and a significant increase in concession fees will increase our cost while our revenues may not increase proportionately, or at all. It will therefore be important to our results of operations that we secure and retain these concession rights contracts on commercially advantageous terms.

Important Factors Affecting the Results of Operations of Our Wi-Fi Business

As of the date of this annual report, we have not launched any operation of our Wi-Fi business and have not implemented any detailed business model. Based on information currently available to us, we expect our results of business of our Wi-Fi business to be substantially affected by the following factors and trends.

Successful Completion of the Installation of Our Wi-Fi Systems

In order to operate our Wi-Fi business, we must install certain hardware and software systems on the trains and buses to be covered by our Wi-Fi services. We are still in the process of such installation and may incur technical and other difficulties. Any delay in the installation process could postpone the launching of our business.

Demand for Advertising Time Slots and Locations

The demand for our time slots and locations on our train and bus Wi-Fi systems is expected to relate to the amount of our customers' advertising spending budget and the attractiveness of our Wi-Fi system as a platform for their advertisements. The amount of available advertising budget is largely affected by the general economic conditions in China. The attractiveness of our Wi-Fi system as an advertising platform depends on whether our Wi-Fi system has the ability to reach the advertisers' intended audience, which will in turn be affected by factors including the number and types of travelers who will use our Wi-Fi systems and whether advertisements on our Wi-Fi systems can effectively attract the attention of such travelers.

Number of Our Advertising Time Slots and Locations Available for Sale

The results of our Wi-Fi business can also be affected by the number of advertisement time slots and spaces available for sale on our Wi-Fi systems. They are determined by the number of trains, buses and airplanes within our Wi-Fi service network and the number of advertisement time slots and spaces available on the system for each train, bus and airplane. By increasing the number of trains, buses and airplanes within our network, we can increase the number of advertising time slots and locations that we have available to sell. In addition, we may also increase the total number of advertisement time slots and spaces by increasing the frequency of the advertisements and designating more space on our Wi-Fi system's interface for advertising.

Pricing

The results of our Wi-Fi business will also be affected by the level of pricing for our services. We have not yet formulated and implemented any detailed pricing model for our Wi-Fi business as of the date of this annual report.

Concession Fees

Concession fees are expected to constitute a significant portion of our cost of revenues in connection with our Wi-Fi business. Those concession fees are typically fixed under our concession rights with the railway administrative bureaus. We do not pay fixed concession fees to the operators of the long-haul buses. Any increase in concession fees will increase our cost while our revenues may not increase proportionately, or at all. It will therefore be important to our results of operations of our Wi-Fi business that we secure and retain these concession rights contracts on commercially advantageous terms.

Revenues

We generate revenues from the sale of advertising time slots and locations on our advertising network.

(All amounts are in thousands of U.S. dollars, except percentages)

	Fiscal Years Ended December 31,					
	2013		2014		2015	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues
Air Travel Media Network	\$ 80,002	86.3%	\$ 59,200	77.9%	\$ 38,917	76.5%
Gas station Media Network	12,726	13.7%	11,164	14.7%	9,840	19.4%
Other Media	36	0.0%	5,583	7.4%	2,109	4.1%
Total revenues	92,764	100.0%	75,947	100.0%	50,866	100.0%
Business tax and other sales tax	(1,511)	(1.6)%	(1,254)	(1.7)%	(633)	(1.2)%
Net revenues	\$ 91,253	98.4%	\$ 74,693	98.3%	\$ 50,233	98.8%

Revenues from Air Travel Media Network

Our air travel media network revenues from continuing operations in 2013, 2014 and 2015 consisted of revenues from digital frames in airports in the form of TV-attached digital frames, digital TV screens in airports, digital TV screens on airplanes, traditional media in airports and other revenues in air travel. Revenues from digital frames in airports in 2015 included certain revenues from the stand-alone digital frames in one airport and LEDs in two airports for 2015, which were not included in the disposed business but were included in revenue from continuing operations. Revenue from traditional media in airports in 2015 included certain revenues from traditional media in three airports for 2015, which were not included in the disposed business but were included in revenue from continuing operations. As we have completed the divestiture of our business lines of digital frames in airports, digital TV screens in airports and traditional media in airports, we do not expect to generate revenues from those business in the foreseeable future.

Revenues from our digital TV screens on airplanes accounted for 17.4%, 21.3% and 26.1% of our total revenues for the years ended December 31, 2013, 2014 and 2015, respectively. Our network operating digital TV screens consisted of seven, seven and six airlines as of December 31, 2013, 2014 and 2015. We expect revenues from our digital TV screens on airplanes to account for a great majority of all our revenues in the foreseeable future.

The number of time slots we sold on the digital TV screens on airplanes was 527, 558 and 432 in 2013, 2014 and 2015, respectively. The utilization rate was 35.5%, 34.3% and 26.7% in 2013, 2014 and 2015, respectively. The average selling price of advertisement on the digital TV screens on airplanes was \$30,662, \$29,054 and \$30,904 in 2013, 2014 and 2015, respectively. The number of time slots for digital TV screens on airplanes sold refers to the number of 30-second equivalent advertising time units for digital TV screens on airplanes sold during the period presented. Utilization rate refers to total time slots for the digital TV screens on airplanes sold as a percentage of total time slots available for sale during the relevant period. Average advertising revenue per time slot sold for digital TV screens on airplanes is calculated by dividing our revenues derived from digital TV screens on airplanes by the number of time slots sold. We define a time slot for digital TV screens as a 30-second equivalent advertising time unit for digital TV screens on airplanes, which is shown on a monthly basis on the routes of a given airline. The length of our in-flight programs typically ranges from approximately 45 minutes to an hour per flight, approximately five to 13 minutes of which consist of advertising content. The number of time slots available for our digital TV screens on airplanes in any given year is calculated by multiplying the time slots per airline per month by the number of months during such year when we had operations on each airline and then calculating the sum of all the time slots for each of our network airlines.

Other revenues in air travel mainly include revenues from the production of media contents played in air travel and from the provision of system maintenance services.

The most significant factors that directly or indirectly affect our revenues from digital TV screens on airplanes and other revenues in air travel include the following:

- our ability to retain existing advertisers and attract new advertisers;
- our ability to retain existing concession rights to operate digital TV screens on airplanes and to add additional airlines to our network;
- our ability to continue providing effective advertising solutions that enable advertisers to reach their target audiences;
- the demand in general for air travel advertising; and
- the state of the PRC and global economy.

Revenues from Gas Station Media Network

We started our gas station media network in 2009, when we gained concession rights to develop and operate an outdoor advertising network in Sinopec gas stations throughout China. Revenues from our gas station media network, consisting of outdoor advertising platforms such as LED screens, billboards and light boxes at Sinopec gas stations in China, accounted for 13.7%, 14.7% and 19.4% of our total revenues for the years ended December 31, 2013, 2014 and 2015, respectively.

The most significant factors that directly or indirectly affect our gas station media network include the following:

- our ability to retain existing advertisers and attract new advertisers;
- our ability to retain existing concession rights to operate at the Sinopec gas stations and to add additional gas stations to our network;
- our ability to continue providing effective advertising solutions that enable advertisers to reach their target audiences;
- the demand in general for gas station advertising; and
- the state of the PRC and global economy.

Business Tax, Value-added Tax ("VAT") and Other Sales Related Tax

Our PRC subsidiaries are subject to value-added tax at a rate of 6% on revenues from advertising services and paid after deducting input VAT on purchases. The net VAT balance between input VAT and output VAT is reflected in the account under input VAT receivable or other taxes payable. In July 2012, the Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the pilot collection of VAT in lieu of business tax in certain areas and industries in the PRC, including Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Also a circular issued in May 2013 provided that such VAT pilot program is rolled out nationwide since August 2013. Since then, certain of our subsidiaries and VIEs became subject to VAT at the rates of 6% or 3%, on certain service revenues which were previously subject to business tax. Our gross revenue is presented net of the VAT.

Our net revenue is presented net of such business tax and other sale related taxes. Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax promulgated by the Ministry of Finance of China and the State Administration of Taxation of China on March 23, 2016, which took effect on May 1, 2016, the Chinese government will levy VAT in lieu of business tax on a trial basis across China, and the tax rate for taxpayers who are service providers, such as us, is 6%.

Cost of Revenues

During the periods covered by this report, our cost of revenues consisted primarily of concession fees, agency fees and other costs, including digital frames and digital TV screen depreciation costs, operating costs and non-advertising content costs. The following table sets forth the major components of our cost of revenues, both in absolute amounts and as percentages of net revenues for the periods indicated.

Fiscal Years Ended December 31,

	2013		2014		2015	
	(All amounts are in thousands of U.S. Dollars, except percentages)					
	Amount	%	Amount	%	Amount	%
Net revenues	\$ 91,253	100.0%	\$ 74,693	100.0%	\$ 50,233	100.0%
Cost of revenues						
Concession fees	(67,314)	(73.8)%	(71,533)	(95.8)%	(64,752)	(128.9)%
Agency fees	(17,674)	(19.4)%	(10,602)	(14.2)%	(4,938)	(9.8)%
Others	(12,753)	(14.0)%	(14,473)	(19.4)%	(19,887)	(39.6)%
Total cost of revenues	<u>\$ (97,741)</u>	<u>(107.1)%</u>	<u>\$ (96,608)</u>	<u>(129.3)%</u>	<u>\$ (89,577)</u>	<u>(178.3)%</u>

Concession Fees

We incur concession fees to airlines for placing our programs on their digital TV screens and to gas stations for operating our media displays such as light boxes, billboards and LEDs and to train administration authorities for Wi-Fi system installation and operation rights. These fees constitute a significant portion of our cost of revenues. Most of the concession fees paid to airlines were fixed under the relevant concession rights contracts with escalation clauses, which required fixed fee increases over each year of the relevant contract, and payments were usually due three or six months in advance. For gas stations, the actual concession fees paid to Sinopec were based on the actual number of developed gas stations with our operating LEDs and other displays and associated standard annual concession fees for each developed gas station or a fixed minimum payment if any based on negotiation with the petroleum company. Most of the concession fees paid to railway administrative bureaus were fixed under the relevant concession rights contracts and payments were usually one month in advance. Upon the expiration of the existing contracts, the respective railway administrative bureaus have the discretion to renew the contracts with us or not and upon renewal, they may request an increase in concession fees.

We began to incur concession fees related to our Wi-Fi business from 2013. Those fees are in the form of payments to railway administrative bureaus and we recorded these concession fees amounting to \$1.3 million, \$6.3 million and \$7.5 million in 2013, 2014 and 2015, respectively. The rest of our concession fees consisted of those related to our non-Wi-Fi business and decreased from \$66.0 million in 2013 to \$65.2 million in 2014 and to \$57.3 million in 2015 as we ceased some of our related operations during those periods.

Concession fees tend to increase over time as we obtain more concession rights to further develop our network. As we have obtained several concession rights to operate Wi-Fi systems on trains, we may experience an increase in our concession fees in order to retain these concession rights contracts.

Agency Fees

We engaged third-party advertising agencies to help source advertisers from time to time. These third-party advertising agencies assisted us in identifying and introducing advertisers to us. In return, we paid fees to these third-party agencies if they generated advertising revenues for us. Fees that we paid to these third-party agencies were calculated based on a pre-set percentage of revenues generated from the advertisers introduced to us by the third-party agencies and were paid when payments were received from the advertisers. We recorded these agency fees as cost of revenues ratably over the period in which the related advertisements were displayed. We expect to continue using these third-party advertising agencies in the near future.

From time to time, we and certain advertising agencies may renegotiate and mutually agree, as permitted by applicable laws, to reduce the existing agency fee liabilities as calculated under the terms of existing contracts. Because such renegotiation of agency fees usually take place after all advertising displays have been completed, such reductions in the accrued agency fees are recorded as a reduction in cost of sales in the period in which the renegotiations are finalized. During the years ended December 31, 2013, 2014 and 2015, reversals in cost of sales as a result of renegotiated agency fees amounted to \$1.1 million, \$0.1 million and \$0.4 million, respectively.

Others

Our other cost of revenues include the following:

- *Display Equipment Depreciation.* Generally, we capitalized the cost of our digital TV screens, light boxes, LED screens and billboards and related equipment in the gas station media network and PAD on high-speed trains and recognized depreciation costs on a straight-line basis over the term of their useful lives, which we estimate to be five years. The primary factors affecting our depreciation costs were the number of digital TV screens and LED screens in gas stations and the unit cost for those displays, as well as the remaining useful life of the displays.
- *Display Equipment Maintenance Cost.* Our display maintenance cost consisted of salaries for our network maintenance staff, travel expenses in relation to on-site visits and monitoring and costs for materials and maintenance in connection with the upkeep of our advertising network. The primary factor affecting our display equipment maintenance cost was the size of our network maintenance staff.
- *Non-advertising Content Cost.* The programs on the majority of our digital TV screens combine advertising content with non-advertising content, such as weather, sports and comedy clips. Our standard programs in airports currently include 40 minutes of non-advertising content during each hour of programming and are shown for approximately 16 hours per day. The length of our in-flight programs typically ranges from approximately 45 to 60 minutes per flight, approximately 40 to 45 minutes of which consist of non- advertising content. We believe that the non-advertising program content makes air travelers more receptive to the advertisements included in our programs and ultimately make our program more effective for our advertisers. This in turn allows us to charge a higher price for each advertising time slot. We also promoted the brand names of our advertisers through our program content by naming our programs after their brand names or displaying their logos on the corner of the digital TV screens during the programs. We produced some of the non-advertising content shown on our network through our VIEs. The majority of the non-advertising content broadcast on our network was provided by third-party content providers such as Shanghai Media Group and various local television stations and television production companies. In January 2014, we entered into a strategic partnership with China Radio International Oriental Network (Beijing) Co., Ltd, which manages the internet TV business of China International Broadcasting Network, to operate the CIBN-AirMedia channel to broadcast network TV programs to air travelers in China. We pay a fixed price for some content. Other content is provided free to us and the provider of the content benefits by having its logo shown on the content in addition to experiencing greater exposure to a wider audience. These providers of free content receive no benefit from us and do not place advertising with us. We do not directly generate revenues from these non-exchange transactions. Some of the third-party content providers that currently do not charge us for their content may do so in the future and other third-party content providers may increase the prices for their programs over time. This may increase our cost of revenues in the future.

As we launch our new Wi-Fi business, we expect to also incur cost of revenues in the form of bandwidth fees paid to mobile data service providers and Wi-Fi system maintenance fees.

Operating Expenses

During the periods covered by this report, our operating expenses consisted of general and administrative expenses and selling and marketing expenses. The following table sets forth the two components of our operating expenses, both in absolute amount and as a percentage of net revenues for the periods indicated.

	Fiscal Years Ended December 31,					
	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
Net revenues	\$ 91,253	100.0%	\$ 74,693	100.0%	\$ 50,233	100.0%
Operating expenses						
General and administrative expenses	(15,104)	(16.6)%	(20,620)	(27.6)%	(27,102)	(54.0)%
Selling and marketing expenses	(9,202)	(10.1)%	(12,916)	(17.3)%	(9,611)	(19.1)%
Total operating expenses	\$ (24,306)	(26.7)%	\$ (33,536)	(44.9)%	\$ (36,713)	(73.1)%

We expect that our operating expenses will further increase in the future as we expand our network and operations and enhance our sales and marketing activities.

General and Administrative Expenses

Our general and administrative expenses included share-based compensation expenses of \$0.9 million, \$1.1 million and \$0.6 million in the fiscal years ended December 31, 2013, 2014 and 2015, respectively. General and administrative expenses consisted primarily of office and utility expenses, salaries and benefits for general management, finance and administrative personnel, allowance for doubtful accounts, depreciation of office equipment, public relations related expenses and other administration related expenses.

Selling and Marketing Expenses

Our selling and marketing expenses consisted primarily of salaries and benefits for our sales and marketing personnel, office and utility expenses related to our selling and marketing activities, travel expenses incurred by our sales personnel, expenses for the promotion, advertisement and sponsorship of media events, and other sales and marketing related expenses. Our selling and marketing expenses included share-based compensation expenses of nil, \$0.1 million and nil in the years ended December 31, 2013, 2014 and 2015, respectively.

Taxation

Cayman Islands. We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

British Virgin Islands. We are exempted from income tax in the British Virgin Islands on our foreign-derived income. There are no withholding taxes in the British Virgin Islands.

Hong Kong. Our Hong Kong subsidiary, Air Media (China) Ltd, did not record any Hong Kong profits tax for the year ended December 31, 2013 on the basis that its assessable profits arising in or derived from Hong Kong for 2013 were offset by the losses carried forward from previous years. For the years ended December 31, 2014 and 2015, we did not record any Hong Kong profits tax on the basis that our Hong Kong subsidiaries did not have any assessable profits arising in or derived from Hong Kong for 2014 and 2015. Dividends from our Hong Kong subsidiaries to us are exempt from withholding tax. No dividend from our Hong Kong subsidiaries was declared for the years ended December 31, 2013, 2014 and 2015.

PRC. Prior to the effective date of the new EIT Law on January 1, 2008, enterprises in China were generally subject to EIT at a statutory rate of 33% unless they qualified for certain preferential treatment. Effective as of January 1, 2008, the EIT Law applies a uniform EIT rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualified entities. Under the EIT Law, entities that qualify as HNTE are entitled to the preferential income tax rate of 15%. A company's status as a HNTE is valid for three years, after which the company must re-apply for such qualification in order to continue to enjoy the preferential income tax rate. In addition, according to the Administrative Regulations on the Recognition of High and New Technology Enterprises, the Guidelines for Recognition of High and New Technology Enterprises and the Notice of Favorable Enterprise Income Tax Policies jointly issued by the PRC Ministry of Science and Technology, the PRC Ministry of Finance and the PRC State Administration of Taxation in April 2008, July 2008 and February 2008, respectively, "new software enterprises" can enjoy an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to a rate of 12.5% for the subsequent three years.

On December 26, 2007, the PRC State Council issued Circular 39. Based on Circular 39, certain enterprises established before March 16, 2007 that were eligible for tax exemptions or reductions according to the then-effective tax laws and regulations can continue to enjoy such exemption or reduction until it expires. Furthermore, according to Circular 39, enterprises that were eligible for preferential tax rates according to the then-effective tax laws and regulations may be eligible for a gradual rate increase to 25% over the 5-year period beginning from January 1, 2008. Specifically, the applicable rates under such an arrangement for such enterprises that enjoyed a 15% tax rate prior to the effectiveness of the EIT Law are 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. However, according to the Notice on Prepayment of EIT issued by the State Administration of Taxation on January 30, 2008, the gradually increased EIT rate during the transition period is not applicable to entities that qualified for preferential rates as high and new technology enterprises alone and they would be subject to EIT at 25% from January 2008 if they cannot qualify as high and new technology enterprises under the EIT Law and related regulations.

AM Technology was recognized as a HNTE under the new rules and therefore, it is entitled to enjoy a preferential EIT rate of 15%. It was also eligible for a 50% tax reduction from 2009 to 2010 under the applicable tax laws and regulations that were in effect before January 1, 2008, the date the EIT Law came into effect. As a result, AM Technology was subject to an EIT rate of 7.5% in 2009 and 2010. In September 2011, AM Technology received the HNTE certificate, and in October 2014, AM Technology successfully renewed its HNTE Status and obtained the certificate issued by the competent governmental authority. As a result, AM Technology is expected to be subject to an EIT rate of 15% until 2016 as long as it maintains its HNTE status.

Xi'an AM qualified as a "software enterprise" in August 2008 by the Technology Information Bureau of Shaanxi Province and has received a written approval from Xi'an local tax bureau that it is granted a two-year exemption from EIT commencing on its first profitable year and a 50% reduction of the 25% EIT rate for the succeeding three years. As Xi'an AM first made profit in 2009, it was exempted from EIT in 2009 and 2010, and enjoyed the preferential income tax rate of 12.5% from 2011 to 2013. Xi'an AM received the HNTE certificate jointly issued by the competent governmental authorities in Shaanxi Province in September 2014. As such, Xi'an AM is expected to be subject to a preferential income tax rate of 15% from 2014 to 2016 as long as it maintains its HNTE status.

Shenzhen AM was subject to a 15% preferential EIT rate in 2007 as it is located in Shenzhen and then was subject to EIT on its taxable income from 2008 at the gradual rate as set out in Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives, or "Circular 39". Since Shenzhen AM is also qualified as a "manufacturing foreign-invested enterprise" incorporated prior to the effectiveness of the EIT Law, it is further entitled to a two-year exemption from EIT for the years 2008 and 2009 and preferential rates of 11%, 12% and 12.5% for the years 2010, 2011 and 2012, respectively. Shenzhen AM is subject to EIT at a rate of 25% from 2013 afterwards.

Hainan Jinhui is subject to EIT on the taxable income at the gradual rate, which was 22% in 2010, 24% in 2011, 25% in 2012 as set out in Circular 39. Hainan Jinhui is subject to EIT at a rate of 25% in 2013 and thereafter.

Furthermore, under the EIT Law, a "resident enterprise," which includes an enterprise established outside of China with "de facto management bodies" located in China, is subject to PRC income tax. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, i.e. SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled overseas-incorporated enterprise is located in China.

In addition, the SAT issued a bulletin on July 27, 2011 to provide more guidance on the implementation of SAT Circular 82 with an effective date of September 1, 2011. The bulletin made clarification in the areas of resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of the Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises, not to those that, like our company, are controlled by PRC individuals, the determination criteria set forth in SAT Circular 82 and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

We do not believe we and our subsidiaries established outside of the PRC are PRC resident enterprises. However, if the PRC tax authorities subsequently determine that we and our subsidiaries established outside of China should be deemed as a resident enterprise, we and our subsidiaries established outside of China will be subject to PRC income tax at a rate of 25%. In addition, under the EIT law, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors who are non-resident enterprises are subject to 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The BVI, where Broad Cosmos, our wholly owned subsidiary and the 100% shareholder of Shenzhen AM, is incorporated, does not have such a tax treaty with China. Air Media (China) Ltd, the 100% shareholder of AM Technology Shenzhen AM and Xi'an AM, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of 5% (if the foreign investor owns directly at least 25% of the shares of the foreign-invested enterprise). However, if the Hong Kong company is not considered to be the beneficial owner of dividends paid to it by its PRC subsidiaries under a tax notice promulgated on October 27, 2009 and the bulletin No.30 of 2012, such dividends would be subject to withholding tax at a rate of 10%. See "Item 3. Key Information — D. Risk Factors — Risks Related to our Business — Dividends payable to us by our wholly-owned operating subsidiaries may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income, and dividends distributed to our investors may be subject to more PRC withholding taxes under the PRC tax law."

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and revenues and expenses. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from our expectations. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Discontinued Operation

A disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statements of operations. The amount of total current assets, total non-current assets, total current liabilities and total non-current liabilities are presented separately on the consolidated balance sheets.

Revenue Recognition

Our revenues are derived from selling advertising time slots on our advertising networks. For the years ended December 31, 2013, 2014 and 2015, the advertising revenues were generated from air travel media network, gas station media network and other media.

We typically sign standard contracts with our advertising customers, who require our company to run the advertiser's advertisements on our network in specified locations for a period of time. We recognize advertising revenues ratably over the performance period for which the advertisements are displayed, so long as collection of the fees remains probable.

We also wholesale the advertising platforms such as scrolling light boxes and billboards in the gas stations located in some major cities, except Beijing, Shanghai and Shenzhen, to advertising agents, and sign fixed fee contracts with the agents for a specified period. The revenue is recognized on a straight-line basis over the specified period.

Deferred Revenue

Prepayments from customers for advertising service are deferred and recognized as revenue when the advertising services are rendered.

Non-monetary Exchanges

We occasionally exchange advertising time slots and locations with other entities for assets or services, such as equipment and other assets. The amount of assets and revenue recognized is based on the fair value of the advertising provided or the fair value of the transferred assets, whichever is more readily determinable. The amounts of revenues recognized for nonmonetary transactions were \$0.1 million, \$0.2 million and \$0.5 million for the years ended December 31, 2013, 2014 and 2015, respectively. No direct costs are attributable to the revenues.

Concession Fees

We enter concession right agreements with vendors such as airports, airlines, railway administrative bureaus and a petroleum company, under which we obtain the right to use the spaces or equipment of the vendors to display the advertisements. The concession right agreements are treated as operating lease arrangements.

Fees under concession right agreements are usually due every three, six or twelve months. Payments made are recorded as current assets and current liabilities according to the respective payment terms. Most of the concession fees with airports and airlines are fixed with escalation, which means fixed increase over each year of the agreements. The total concession fee under the concession right agreements with airports and airlines is charged to the consolidated statements of operations on a straight-line basis over the agreement periods, which is generally between three and five years.

The fee structure of the concession right agreement with the petroleum company is based on the actual number of developed gas stations and associated standard annual concession fee for each developed gas station. Each gas station has its specific lease term starting from the time when it is actually put into operation. The calculation of rental payments is based on how many months the gas stations are actually put into operation during the year and the standard annual concession fee determined based on the location of the gas station. Accordingly, each gas station is treated as a separate lease and rental payments are recognized on a straight-line basis over its lease term. The amount of annual concession fee to-be-paid is determined by an actual incurred concession fee or a fixed minimum payment, if any, based on negotiation with the petroleum company.

Agency Fees

We pay fees to advertising agencies based on certain percentage of revenues made through the advertising agencies upon receipt of payment from advertisers. The agency fees are charged to cost of revenues in the consolidated statements of operations ratably over the period in which the advertising is displayed. Prepaid and accrued agency fees are recorded as current assets and current liabilities according to relative timing of payments made and advertising service provided.

From time to time, we and certain advertising agencies may renegotiate and mutually agree, as permitted by applicable laws, to reduce existing agency fee liabilities as calculated under the terms of existing contracts. Such reductions in the accrued agency fees are recorded as a reduction in cost of sales in the period the renegotiations are finalized. During the years ended December 31, 2013, 2014 and 2015, reversals in cost of sales as a result of renegotiated agency fees amounted to \$1.1 million, \$0.1 million and \$0.4 million, respectively.

Assets Held for Sale

We consider assets to be held for sale when all of the following criteria are met: i) a formal commitment to a plan to sell a property was made and exercised; ii) the property is available for sale in its present condition; iii) actions required to complete the sale of the property have been initiated; iv) sale of the property is probable and we expect the completed sale will occur within one year; v) the property is actively being marketed for sale at a price that is reasonable given its current market value; and vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Upon designation as assets held for sale, we records each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and we ceases depreciation.

Allowance for Doubtful Accounts

We conduct credit evaluations of clients and generally do not require collateral or other security from clients. We establish an allowance for doubtful accounts based upon estimates, historical experience and other factors surrounding the credit risk of specific clients, and utilize both specific identification and a general reserve to calculate allowance for doubtful accounts. The amount of receivables ultimately not collected by us has generally been consistent with expectations and the allowance established for doubtful accounts. If the frequency and amount of customer defaults change due to the clients' financial condition or general economic conditions, the allowance for uncollectible accounts may require adjustment. As a result, we continuously monitor outstanding receivables and adjust allowances for accounts where collection may be in doubt. We believe the increase or decrease of allowance for doubtful accounts is usually attributable to the growth or decrease of aged accounts receivables, especially in relation to receivables aged over 720 days, for which a full allowance is provided.

Income Taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to us as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, we classify the interest and penalties, if any, as a component of the income tax position.

Value-added Tax ("VAT")

Our PRC subsidiaries are subject to value-added tax at a rate of 6% on revenues from advertising services and paid after deducting input VAT on purchases. The net VAT balance between input VAT and output VAT is reflected in the account under input VAT receivable or other taxes payable.

In July 2012, the Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the pilot collection of VAT in lieu of business tax in certain areas and industries in the PRC including Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Also, a circular issued in May 2013 provided that such VAT pilot program was rolled out nationwide in August 1, 2013. Since then, certain of our subsidiaries and VIEs became subject to VAT at the rates of 6% or 3% on certain service revenues which were previously subject to business tax. The amount of VAT included as a deduction to revenue amounted to \$5.9 million, \$3.6 million and \$2.6 million for the years ended December 31, 2013, 2014 and 2015, respectively.

Share-based Compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation expenses over the requisite service periods based on a straight-line method, with a corresponding impact reflected in additional paid-in capital.

Share-based payment transactions with non-employees are measured based on the fair value of the options as of each reporting date through the measurement date, with a corresponding impact reflected in additional paid-in capital.

Our Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements, including the related notes that appear elsewhere in this annual report. We do not believe our historical consolidated results of operations are indicative of our results of operations you may expect for any future period.

Years Ended December 31,

	2013	2014	2015
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(In thousands of U.S. Dollars, except share, per share and per ADS data)

Consolidated Statements of Operations Data:

Revenues:			
<i>Air Travel Media Network</i>	80,002	59,200	38,917
<i>Gas Station Media Network</i>	12,726	11,164	9,840
<i>Other Media</i>	36	5,583	2,109
Total revenues	92,764	75,947	50,866
Business tax and other sales tax	(1,511)	(1,254)	(633)
Net revenues	91,253	74,693	50,233
Cost of revenues	97,741	96,608	89,577
Gross loss	(6,488)	(21,915)	(39,344)
Operating expenses:			
Selling and marketing (including share-based compensation of nil, \$144 and nil in 2013, 2014 and 2015, respectively)	9,202	12,916	9,611
General and administrative (including share-based compensation of \$943, \$1,137 and \$567 in 2013, 2014 and 2015, respectively)	15,104	20,620	27,102
Total operating expenses	24,306	33,536	36,713
Loss from operations	(30,794)	(55,451)	(76,057)
Interest (expense) income, net	(224)	1,058	472
Other income, net	695	979	1,383
Loss from continuing operations before income taxes and (loss) income on equity method investments	(30,323)	(53,414)	(74,202)
Income tax (benefits)/expenses from continuing operations	(537)	(1,512)	6,421
Net loss before (loss) income on equity method investments	(29,786)	(51,902)	(80,623)
(Loss) income on equity method investments	(69)	(212)	2,352
Net loss from continuing operations	(29,855)	(52,114)	(78,271)
Less: Net loss attributable to noncontrolling interests	894	6,808	7,620
Net loss from continuing operations attributable to AirMedia Group Inc.'s shareholders	(28,961)	(45,306)	(70,651)
Discontinued operation:			
Net income from discontinued operations (including gain of \$244,164 upon the disposal in the year ended December 31, 2015)	17,159	22,230	272,879
Income tax benefits (expenses) from discontinued operations	1,176	(1,942)	(51,696)
Net income from discontinued operations, net of tax	18,335	20,288	221,183
Less: Net income from discontinued operations attributable to non-controlling interests	-	(677)	(885)
Net income from discontinued operations attributable to AirMedia Group Inc.'s shareholders	18,335	19,611	220,298
Net (loss)/income	(11,520)	(31,826)	142,912
Net (loss)/income attributable to AirMedia Group Inc.'s shareholders	\$ (10,626)	\$ (25,695)	\$ 149,647

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net Revenues. Our net revenues decreased by 32.7% from \$74.7 million in 2014 to \$50.2 million in 2015. The decrease was primarily due to the decrease in revenues from air travel media network.

Revenues from air travel media network: Revenues from air travel media network decreased by 34.3% to \$38.9 million in 2015 from \$59.2 million in 2014. Among our revenues from air travel media network, revenues from digital TV screens on airplanes were \$13.3 million and \$16.2 million in 2015 and 2014, respectively. The remainder of revenues from air travel media network mainly consisted of (i) revenues from the stand-alone digital frames in one airport and LEDs in two airports for part of 2015, which were not included in the disposed business, and (ii) certain revenues from traditional media in three airports for part of 2015, which were not included in the disposed business. Changes in revenues from air travel media network from 2014 to 2015 also reflected the sale of our business of TV-attached digital frames and digital TV screens in airports in 2015.

The number of time slots sold on digital TV screens on airplanes decreased by 22.6% to 432 time slots in 2015 from 558 time slots in 2014 primarily due to a soft advertising market. The number of time slots available for sale decreased by 0.5% to 1,620 time slots in 2015 from 1,628 time slots in 2014. Utilization rate decreased to 26.7% in 2015 from 34.3% in 2014 primarily due to the decrease in the number of time slots sold. The average selling price per time slot of digital TV screens on airplanes increased by 6.4% to \$30,904 in 2015 from \$29,054 in 2014 primarily due to lower discounts offered in 2015 than in 2014.

Revenues from the gas station media network: Revenues from the gas station media network decreased by 11.9% to \$9.8 million from \$11.2 million in 2014 due to a soft advertising market.

Revenues from other media: Revenues from other media were primarily revenues from our film distribution business. Revenues from other media decreased by 62.2% year-over-year from \$5.6 million in 2014 to \$2.1 million in 2015, primarily due to a decrease of \$4.8 million in film distribution revenue as a result of a competitive film market.

Cost of Revenues. Our cost of revenues decreased by 7.2% from \$96.6 million in 2014 to \$89.6 million in 2015. Our cost of revenues as a percentage of our net revenues increased from 129.3% in 2014 to 178.3% in 2015. This increase was mainly due to a combined effect of the decrease in our revenues and the increase in our concession fees. Concession fees decreased by 9.4% from \$71.5 million in 2014 to \$64.8 million in 2015, primarily due to an decrease in the prices of our concession rights. Concession fees as a percentage of net revenues increased from 95.8% in 2014 to 128.9% in 2015. Our revenues decreased significantly as we exited many of the business lines, but we continued to pay much of the related concession fees in 2015 due to our obligations under the concession rights. As of the date of this annual report, concession rights contracts in connection with the business that we no longer operate have either expired or been transferred to third parties. We expect to incur concession fee costs associated only with the business lines of digital TV screens on airplanes, gas station media and our Wi-Fi business in the foreseeable future.

Operating Expenses. Our operating expenses increased by 9.5% from \$33.5 million in 2014 to \$36.7 million in 2015. Our total operating expenses in 2014 included share-based compensation expenses of \$1.3 million while our total operating expenses in 2015 included share-based compensation expenses of \$0.6 million.

- **Selling and Marketing Expenses.** Our selling and marketing expenses decreased by 25.6% from \$12.9 million in 2014 (including \$0.1 million of share-based compensation expenses) to \$9.6 million in 2015 (including nil share-based compensation expenses) mainly due to a decrease of \$1.8 million in marketing expenses.
- **General and Administrative Expenses.** Our general and administrative expenses increased by 31.4% from \$20.6 million (including \$1.1 million of share-based compensation expenses) in 2014 to \$27.1 million (including \$0.6 million of share-based compensation expenses) in 2015, primarily due to higher professional service fees in connection with the sale of AM Advertising.

Loss from Continuing Operations. We recorded a loss from continuing operations of \$76.1 million in 2015, as compared to a loss from continuing operations of \$55.5 million in 2014 as a cumulative result of the above factors.

Net income from discontinued operations. We recorded \$272.9 million of net income from discontinued operations in 2015 compared with \$22.2 million in 2014. Such increase was mainly attributable to a one-off gain of \$244.2 million upon the disposal of equity interest of AM Advertising in 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net Revenues. Our net revenues decreased by 18.1% from \$91.3 million in 2013 to \$74.7 million in 2014. The decrease was primarily due to the decrease in revenues from air travel media network.

Revenues from air travel media network: Revenues from air travel media network decreased by 26.0% to \$59.2 million in 2014 from \$80.0 million in 2013, primarily due to decrease in revenues from traditional media in airports in 2014 as we decided not to renew certain unprofitable or low-margin contracts after their expiration. Revenues from digital TV screens on airplanes remained stable from 2013 to 2014.

The number of time slots on digital TV screens on airplanes sold increased by 5.9% to 558 time slots in 2014 from 527 time slots in 2013 primarily due to higher discounts offered in 2014 than in 2013. The number of time slots available for sale increased by 9.6% to 1,628 time slots in 2014 from 1,486 time slots in 2013. Utilization rate decreased to 34.3% in 2014 from 35.5% in 2013. The average selling price per time slot of digital TV screens on airplanes decreased by 5.2% to \$29,054 in 2014 from \$30,662 in 2013 primarily due to the higher discounts we offered in 2014.

Cost of Revenues. Our cost of revenues decreased by 1.2% from \$97.7 million in 2013 to \$96.6 million in 2014. Our cost of revenues as a percentage of our net revenues increased from 107.1% in 2013 to 129.3% in 2014. This increase was mainly due to a combined effect of the decrease in our revenues and the increase in our concession fees. Concession fees increased by 6.2% from \$67.3 million in 2013 to \$71.5 million in 2014, primarily due to an increase in the price of our concession rights. Concession fees as a percentage of net revenues increased from 73.8% in 2013 to 95.8% in 2014.

Operating Expenses. Our operating expenses increased by 38.0% from \$24.3 million in 2013 to \$33.5 million in 2014. Our total operating expenses in 2013 included share-based compensation expenses of \$0.9 million while our total operating expenses in 2014 included share-based compensation expenses of \$1.3 million.

- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 40.4% from \$9.2 million in 2013 (including nil share-based compensation expenses) to \$12.9 million in 2014 (including \$0.1 million share-based compensation expenses) mainly due to higher expenses related to our direct sales force, higher marketing expenses as well as higher office and utilities expenses.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 36.5% from \$15.1 million (including \$0.9 million of share-based compensation expenses) in 2013 to \$20.6 million (including \$1.1 million of share-based compensation expenses) in 2014, primarily due to higher allowance for doubtful accounts and higher expenses of office and equipment, partially offset by lower other expenses, lower professional fees and lower staff expenses.

Loss from Continuing Operations. We recorded a loss from continuing operations of \$55.5 million in 2014, as compared to a loss from continuing operations of \$30.8 million in 2013 as a cumulative result of the above factors.

Net income from discontinued operations. We recorded \$22.2 million of net income from discontinued operations in 2014 as compared to \$17.2 million in 2013.

Share-based Compensation

On March 18, 2011, the Board of Directors adopted a new share incentive plan, the AirMedia Group Inc. 2011 Share Incentive Plan (the "2011 Option Plan"), which allows our company to grant up to 2,000,000 restricted shares or options and other awards to purchase up to 2,000,000 ordinary shares of our company to our employees and directors subject to vesting requirements.

On March 22, 2011, the Board of Directors granted options to non-employee directors, employees and consultants to purchase an aggregate of 2,180,000 ordinary shares of our company, at an exercise price of \$2.30 per share. The contractual term of the option is of 5 or 10 years. One twelfth of the Options will vest each quarter until March 22, 2014.

On June 7, 2011, the Board of Directors voted to adjust the exercise price of the stock options which were granted on March 22, 2011 from \$2.30 per share to \$1.57 per share. The fair value of the options on June 7, 2011, the modification date, was \$0.75 per option, calculated using the Black-Scholes model based on the closing market price of the ordinary shares of our company on that date. The incremental compensation cost of the re-priced options was \$0.3 million, with \$0.1 million recognized as compensation cost during 2011 and \$0.2 million to be recognized as expense over the remaining vesting period.

On August 23, 2011, the Board of Directors voted to adjust the exercise price of certain stock options which were granted on July 2, 2007, July 20, 2007, November 29, 2007, July 10, 2009 and March 22, 2011 from \$1.57 per share respectively to \$1.15 per share. The fair value of the options on August 23, 2011, the modification date, was \$0.21, \$0.22, \$0.26, \$0.39 and \$0.53 per option, respectively, calculated using the Black-Scholes model based on the closing market price of the ordinary shares of our company on the date. The incremental compensation cost of the re-priced options was \$1.3 million, with totaling \$1.1 million recognized as compensation cost during 2011, and \$0.2 million to be recognized as expense over the remaining vesting period.

On September 1, 2012, the Board of Directors approved to grant options to an employee of our company, under the 2007 Share Incentive Plan, to purchase an aggregate of 1,857,538 ordinary shares of our company, at an exercise price of \$0.72 per ordinary share. One twelfth of the options will vest each quarter starting from September 4, 2012. The expiration date will be 5 years from the grant date.

In September 2012, a former chief financial officer of our company resigned. Of the 600,000 options granted to her on March 22, 2011, 300,000 were vested through her date of resignation. In conjunction with her resignation, she signed a supplementary agreement with us, pursuant to which our company granted her 100,000 options that are immediately exercisable and 200,000 options that would vest through September 22, 2013. During the vesting period, she would provide consulting service as a consultant. For the 100,000 immediately exercisable options, a measurement date was reached upon grant and we immediately recognized \$35,000 into expense, which is equal to the fair value of the options as of September 30, 2012. For the 200,000 options that will vest through September 22, 2013, we recognized expense based on the fair value of the options as of each reporting date through the measurement date. For the year ended December 31, 2014, we did not recognize any expense for these options.

On October 10, 2012, the Board of Directors approved our company to extend the expiration date of the options granted on July 2, 2007, November 29, 2007 and July 10, 2009 to November 29, 2015. Modified awards are viewed as an exchange of the original award for a new award. As a result, an incremental fair-value-based measure of the modified award was recorded as compensation cost on the date of modification for vested awards. The fair value of the stock options, which was \$0.33 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was approximately \$449,000, which was immediately recognized as a one-time expense on the modification date.

On November 30, 2012, the Board of Directors adopted the 2012 Share Incentive Plan (the "2012 Option Plan"), which allows our company to grant options for the issuance of up to 6,000,000 ordinary shares of our company subject to vesting requirements.

On November 1 and November 30, 2012, and in exchange for film industry strategy advisory services, our company granted options to a consultant under the 2007 Option Plan and the 2012 Option Plan to purchase 20,000 and 60,000 ordinary shares of our company at an exercise price of \$1.11 per ordinary share. The 20,000 share options vests immediately and one-third of the 60,000 share options will vest on February 1, May 1 and August 1, 2013, respectively.

On April 15, 2014, the Board of Directors approved to extend the expiration dates of the options granted on November 29, 2007 and July 10, 2009, which were both extended from April 28, 2014 to April 28, 2016. Modified awards are viewed as an exchange of the original award for a new award. The fair value of the stock options, which was \$0.21 and \$0.21 per share, respectively, as of the modification dates, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award were \$4,000 and \$4,000, respectively, which were recognized as share-based compensation expenses for the year ended December 31, 2014.

On May 31, 2014, the former CFO of our Group resigned. Of the options granted to him, options to purchase 1,282,098 shares were vested through his date of resignation, while the others were unvested. The unvested options to purchase 575,440 shares were cancelled as of June 1, 2014. The expiration date of the vested option to purchase 1,282,098 shares was modified from September 3, 2017 to May 31, 2016. The fair value of the stock options, which was \$0.43 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was approximately \$0.2 million, which was recognized as share-based compensation expenses for the year ended December 31, 2014.

On June 1, 2014, the Board of Directors approved to grant options to certain employees and directors to purchase an aggregate of 2,376,620 ordinary shares of our company, at an exercise price of \$1.025 per ordinary share. One twelfth of the options will vest each quarter starting from June 1, 2014. The expiration date will be five years from the grant date.

On June 9, 2014, the Board of Directors approved the extension of the expiration date of the options granted on July 10, 2009 from July 11, 2014 to July 11, 2016. Modified awards are viewed as an exchange of the original award for a new award. The fair value was \$0.22 and \$0.12 per share for the stock options whose exercise price were \$1.15 per share and \$1.57 per share, respectively, as of the modification date, which was estimated using the Black-Scholes model. The incremental compensation costs of the modified award were approximately \$0.7 million and \$5,000, respectively, which was recognized as share-based compensation expenses for the year ended December 31, 2014.

On June 9, 2014, Board of Directors approved our company to extend the expiration date of the options granted on November 1, 2012 from November 11, 2014 to November 11, 2016. Modified award is viewed as an exchange of the original award for a new award. The fair value of the stock options, which was \$0.25 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was approximately \$4,000, which was recognized as share-based compensation expenses for the year ended December 31, 2014.

On August 1, 2014, the Board of Directors approved to grant options to certain employees to purchase an aggregate of 140,000 ordinary shares of our company, at an exercise price of \$1.045 per ordinary share. One twelfth of the options will vest each quarter starting from August 1, 2014. The expiration date will be five years from the grant date.

An employee terminated employment with us on October 13, 2014 but continued to provide service as a nonemployee consultant. The option to purchase 50,000 shares granted to him was not modified in connection with the change in status, but future services from him is required for option vesting. The associated compensation cost has been measured as if the outstanding award was newly granted at the date of the change of status.

On May 12, 2015, we granted 660,000 options to our employees under the 2012 Option Plan to purchase our ordinary shares at an exercise price of \$1.675 per share. One twelfth of these options will vest each quarter through May 12, 2018. The expiration date will be 5 years from the grant date.

On June 15, 2015, an employee terminated his employment with us but continued to provide service as a nonemployee consultant. 200,000 options granted to him on June 1, 2014 were not modified in connection with the change in status, but future service is still necessary to earn the award. The compensation cost was measured as if the options were newly granted at the date of the change of status. The incremental share-based compensation expense for the year ended December 31, 2015 was not material.

On October 31, 2015, an employee terminated his employment with us but continued to provide service as a nonemployee consultant. 100,000 options granted to him on May 12, 2015 were not modified in connection with the change in status, but future service is still necessary to earn the award. The compensation cost was measured as if the options were newly granted at the date of the change of status. The incremental share-based compensation expense for the year ended December 31, 2015 was not material.

On December 31, 2015, two consultants resigned. Of the 200,000 options granted to one of them on May 12, 2015, 3,332 were vested through the date of resignation. The expiration date of the vested options was modified from May 12, 2020 to May 31, 2016. For the rest 166,668 unvested options, one twelfth of the total granted options will still vest on February 12, 2016 following the original vesting schedule and the rest 150,002 options were cancelled on the date of resignation. The fair value of the stock options, which was \$1.12 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was immaterial for the year ended December 31, 2015. Of the 100,000 options granted to the other consultant on May 12, 2015, 16,664 were vested through the date of resignation. The expiration date of the vested options was modified from May 12, 2020 to January 31, 2016, and the 83,336 unvested options were cancelled on the date of resignation.

The fair value of each option granted was estimated on the date of grant/modification using the Black-Scholes option pricing model.

We recorded share-based compensation of \$0.9 million, \$1.3 million and \$0.6 million for the years ended December 31, 2013, 2014 and 2015, respectively.

Inflation

Historically inflation has not had a significant effect on our business. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2013, 2014 and 2015 was increase of 2.5%, 1.5% and 1.6%, respectively.

Although it has not materially impacted our results of operations in 2015, we can provide no assurance that we will not be affected in the future by potentially higher rates of inflation in China. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

B. Liquidity and Capital Resources

To date, we have financed our operations primarily through internally generated cash, the sale of preferred shares in private placements and the proceeds we received from our initial public offering. As of December 31, 2015, we had approximately \$86.9 million in cash and cash equivalents. We generally deposit our excess cash in interest bearing bank accounts. Although we consolidate the results of our VIEs in our consolidated financial statements, we can only receive cash payments from them pursuant to our contractual arrangements with them and their shareholders. See "Item 4. Information on the Company — C. Organizational Structure." Our principal uses of cash primarily include capital expenditures, contractual concession fees, business acquisitions, share repurchases, and other investments and, to a lesser extent, salaries and benefits for our employees and other operating expenses. We expect that these will remain our principal uses of cash in the foreseeable future. We may also use additional cash to fund strategic acquisitions.

Cash Flow

The following table shows our cash flows with respect to operating activities, investing activities and financing activities for the years ended December 31, 2013, 2014 and 2015:

	Years Ended December 31,		
	2013	2014	2015
Net cash provided by (used in) operating activities	537	(1,814)	(69,062)
Net cash (used in) provided investing activities	(70,466)	(6,157)	88,142
Net cash provided by financing activities	54,311	16,823	2,141
Effect of exchange rate changes	1,636	(1,067)	(1,698)
Net (decrease)/ increase in cash	(13,982)	7,785	19,523
Cash at the beginning of the year	73,634	59,652	67,437
Cash at the end of the year	59,652	67,437	86,960

Operating Activities

Net cash used in operating activities was \$69.1 million for the year ended December 31, 2015, consisting of net cash used in continuing operating activities of \$28.0 million and net cash used in discontinued operating activities of \$41.0 million. Net cash used in continuing operating activities was primarily attributable to (1) certain non-cash expenses that did not result in cash outflow, principally the depreciation and amortization of \$5.8 million, (2) an increase of other current assets of \$16.1 million, (3) a decrease of \$8.6 million in accounts payable and (4) a decrease of \$6.8 million in accrued expenses and other current liabilities.

Net cash used in operating activities was \$1.8 million for the year ended December 31, 2014, consisting of net cash used in continuing operating activities of \$42.6 million and net cash provided by discontinued operating activities of \$40.8 million. The net cash used in continuing operating activities was primarily attributable to (1) certain non-cash expenses that did not result in cash outflow, principally depreciation and amortization of \$6.3 million and allowance for doubtful accounts of \$3.2 million, (2) an increase of other non-current assets of \$5.1 million, (3) a decrease of \$1.9 million in deferred revenue and (4) a decrease of \$1.7 million in accounts payable.

Net cash provided by operating activities was \$0.5 million for the year ended December 31, 2013, consisting of net cash used in continuing operating activities of \$23.6 million and net cash provided by discontinued operating activities of \$24.1 million. The net cash used in continuing operating activities was primarily attributable to (1) a increase of \$6.5 million in accounts receivable and (2) an increase of \$3.4 million in prepaid concession fees. The foregoing was partly offset by certain non-cash expenses, principally depreciation and amortization of \$11.8 million, allowance for doubtful accounts of \$1.0 million and gain on sale/maturity of short-term investments of \$1.4 million.

Investing Activities

Net cash provided by investing activities for the year ended December 31, 2015 amounted to \$88.1 million, consisting of net cash used in continuing investing activities of \$5.1 million, offset by net cash provided by discontinued investing activities of \$93.2 million. The amount of net cash used in continuing investing activities was principally attributable to (1) purchase of property and equipment of \$10.4 million, (2) purchase of long term investments of \$3.0 million, (3) acquisition of Guangzhou Xinyu of \$4.8 million, offset by (4) net amount received upon settlement of short-term investment of \$14.2 million.

Net cash used in investing activities for the year ended December 31, 2014 amounted to \$6.2 million, consisting of net cash provided by continuing investing activities of \$6.0 million, offset by net cash used in discontinued investing activities of \$12.1 million. The amount of net cash provided by continuing investing activities was principally attributable to net amount received upon settlement of short-term investment of \$26.1 million, and partially offset by purchase of property and equipment of \$4.3 million and prepaid equipment costs of \$11.2 million.

Net cash used in investing activities for the year ended December 31, 2013 amounted to \$70.5 million, consisting of net cash used in continuing investing activities of \$58.6 million and net cash used in discontinued investing activities of \$11.8 million. The amount of net cash used in continuing investing activities was principally attributable to prepaid equipment costs of \$57.0 million.

Prepaid Equipment Costs

In 2014, we recorded approximately \$11 million for the prepaid equipment cost primarily as a result of our purchase of 200 sets of gas station LEDs. Since these equipment were under installation but still in the process of acceptance, the amount we incurred for the purchase was recorded as prepaid equipment costs. This purchase was funded entirely with the proceeds we received from Elec-Tech as part of their investment in GreatView Media. As of December 31, 2014, Elec-Tech contributed \$68.5 million to the share capital of GreatView Media. We purchased 1,200 sets of LED screens in total from Elec-Tech, amounting to \$55.4 million, for our gas station media business as of December 31, 2015. As of December 31, 2015, we have installed and accepted 600 sets of LED screens amounting to \$27.7 million.

Capital Expenditures

Our capital expenditures were made primarily to purchase equipment for our network, including network construction for our gas station media network and our Wi-Fi business. We also exchange advertising time slots with other entities for digital TV screens and other equipment through barter transactions.

Our capital expenditures were \$57.8 million in 2013, \$15.5 million in 2014 and \$9.4 million in 2015, respectively.

We believe that our current cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions.

Financing Activities

Net cash provided by financing activities amounted to \$2.1 million for the year ended December 31, 2015, consisting of net cash provided by continuing financing activities of \$2.1 million.

Net cash provided by financing activities amounted to \$16.8 million for the year ended December 31, 2014, consisting of net cash provided by continuing financing activities of \$16.8 million.

Net cash provided by financing activities amounted to \$54.3 million for the year ended December 31, 2013, consisting of net cash provided by continuing financing activities of \$55.9 million and net cash used in discontinued financing activities of \$1.6 million.

Intra-Company Transfers

Transfers of cash between our PRC operating subsidiaries and our non-PRC entities are regulated by certain PRC laws. For a description of these laws and the effect that they may have on our ability to meet cash obligations, please refer to "Item 3. Key Information — D. Risk Factors — Risks Related to our Business — Dividends payable to us by our wholly-owned operating subsidiaries may be subject to PRC withholding taxes, or we may be subject to PRC taxation on our worldwide income, and dividends distributed to our investors may be subject to more PRC withholding taxes under PRC tax law," "Item 3. Key Information — D. Risk Factors — Risks Related to our Corporate Structure — We may rely principally on dividends and other distributions on equity paid by our wholly-owned operating subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business," "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Restrictions on currency exchange may limit our ability to receive and use our revenues or financing effectively," "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — PRC regulations relating to the establishment of offshore special purpose companies by PRC residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us," "Item 4. Information on the Company — A. History and Development of the Company — B. Business Overview — Regulation — Regulations on Dividend Distribution," and "Item 4. Information on the Company — A. History and Development of the Company — B. Business Overview — Regulation — SAFE Regulations on Offshore Investment by PRC Residents and Employee Stock Options". None of these regulations have had a material effect on our ability to meet our cash obligations.

Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2014-08 which amends to change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP.

Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. We early adopted this ASU in January 2015. The effects of the pronouncement have been reflected in the consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a significant impact on our consolidated financial statements.

On August 12, 2015, the FASB issued a new pronouncement, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are in the process of evaluating the impacts of adoption of this guidance on our consolidated financial statements.

On September 25, 2015, the FASB issued ASU 2015-16 to simplify the accounting for measurement-period adjustments. The ASU, which is part of the FASB's simplification initiative (i.e., the Board's effort to reduce the cost and complexity of certain aspects of U.S. GAAP), was issued in response to stakeholder feedback that restatements of prior periods to reflect adjustments made to provisional amounts recognized in a business combination increase the cost and complexity of financial reporting but do not significantly improve the usefulness of the information. Under the ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

Under this ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

For public business entities, the ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The ASU must be applied prospectively to adjustments to provisional amounts that occur after the effective date. Early adoption is permitted for financial statements that have not been issued. We do not expect the adoption of this guidance will have a significant effect on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes-Balance Sheet Classification of Deferred Taxes. The amendments in this update simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 are effective for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. We are in the process of evaluating the impact of adoption of this guidance on our consolidated financial statements.

On February 25, 2016, the FASB issued ASU 2016-02 Leases. The core principle of this ASU will require lessees to present right-of-use assets and lease liabilities on their balance sheets. ASU 2016-02 is effective for annual and interim periods beginning January 1, 2019. Early adoption of this ASU is permitted. Upon adoption of this ASU, the Group is required to recognize and measure leases at the beginning of the earliest period presented in the consolidated financial statements using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that the Group may elect to apply. We are currently evaluating and assessing the impact of adoption of this ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, which amends the principal-versus-agent implementation guidance and illustrations in the Board's new revenue standard (ASC 606). The amendments in this update clarify the implementation guidance on principal versus agent considerations. When another party, along with the reporting entity, is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (as a principal) or to arrange for the good or service to be provided to the customer by the other party (as an agent). The guidance is effective for interim and annual periods beginning after December 15, 2017. We are in the process of evaluating the impact of adoption of this guidance on our consolidated financial statements.

C. Research and Development, Patents and Licenses, Etc.

We have been developing certain technologies for broadcasting purposes. However, our financial commitment to development of these technologies has been limited. During the past three years, we have not incurred a significant amount of research and development expense. While we are interested in and may experiment with new technologies from time to time, we do not intend to materially increase our research and development spending in the foreseeable future.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

We have entered into operating lease agreements primarily for our office spaces in China. These leases expire through 2018 and are renewable upon negotiation. In addition, the contract terms of our concession rights contracts are usually three to five years. Most of these concession rights expire through 2018 and are renewable upon negotiation. The following table sets forth our contractual obligations and commercial commitments as of December 31, 2015:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands of U.S. Dollars)				
Operating lease agreements	\$ 1,632	\$ 1,279	\$ 353	\$ -	\$ -
Concession rights contracts	96,980	21,035	35,408	31,159	9,378
Purchase obligations ⁽¹⁾	26,177	26,177	-	-	-
Total	<u>\$ 124,789</u>	<u>\$ 48,491</u>	<u>\$ 35,761</u>	<u>\$ 31,159</u>	<u>\$ 9,378</u>

⁽¹⁾ Our purchase obligation is mainly related to our commitments to purchase agreement with vendors for media equipment and our gas stations and a property, which is due within one year.

G. Safe Harbor

See the section headed "Forward-Looking Information".

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth certain information regarding our directors and executive officers as of March 31, 2016.

NAME	AGE	POSITION
Herman Man Guo	52	Chairman and Chief Executive Officer
James Zhonghua Feng	45	Director
Richard Peidong Wu	51	Chief Financial Officer
Qing Xu	55	Director and Executive President
Peixin Xu	45	Director
Conor Chiahung Yang	53	Independent Director
Shichong Shan	85	Independent Director
Dong Wen	50	Independent Director
Songzuo Xiang	51	Independent Director
Hua Zhuo	46	Independent Director
Song Ye	35	Vice President
Bo Yang	35	Vice President
Bo Wu	47	Vice President
Peng Zhou	36	Vice President
Hong Li	45	Vice President
Rong Guo	47	Vice President

Mr. Herman Man Guo is our founder and has served as the chairman of our board of directors and our chief executive officer since our inception. He was the general manager of Beijing Sunshine Media Co., Ltd. from 1997 to 2004. From 1991 to 1996, Mr. Guo served as the deputy general manager of Beijing Trade & Technology Development Company. Prior to that, he worked in China Civil Aviation Development Service Company from 1988 to 1990. Mr. Guo received his bachelor's degree in applied mathematics from People's Liberation Army Information Engineering University in China in 1983 and an Executive MBA degree from Peking University in China in 2011.

Mr. James Zhonghua Feng has served as our director since May 2011. Prior to that, he served as chief operating officer since our inception and with respect to certain of our pre-existing affiliated entities since October 2005. Before joining us in 2005, he served as the general manager of New Chang'an Media Advertising Company from 2004 to 2005. From 2002 to 2004, Mr. Feng served as the deputy general manager of Beijing Tianzhi Creative Advertising Company. Prior to that, Mr. Feng has served various positions in the advertising industry, including as general manager of an outdoor advertisement company and a print media company. Mr. Feng received an Executive MBA degree from Peking University in China in 2009.

Mr. Richard Peidong Wu has served as our chief financial officer since June 2014. Prior to joining our company, Mr. Wu worked as the head of legal and compliance at the greater china division of Nokia Solutions and Networks. Prior to that, he was the chief financial officer of Vimicro International Corporation from 2011 to 2012. Mr. Wu also worked as a managing director at Dragon Bay Capital, a China-focused investment advisory firm specializing in private placement, pre-IPO turnarounds, pre-auditing and investor relations. Mr. Wu started his career as a senior legal counsel at Beijing Bei Fang Law Offices. Mr. Wu received his MBA degree from the Wharton School of the University of Pennsylvania, a master's degree in criminal justice from Indiana University and a postgraduate law diploma from the Chinese University of Political Science and Law. Mr. Wu is a licensed attorney in China.

Mr. Qing Xu has served as our director since our inception and as our executive president since June 2010. From October 2005 to our inception, Mr. Xu served as a director of certain of our pre-existing affiliated entities. From 2003 to 2005, Mr. Xu served as a vice president of Zhongyuan Guoxin Investment Guarantee Co., Ltd. Prior to that, he served as a department director of China Haohua Group Co., Ltd. from 1997 to 2003 and as a department manager of Beijing Trade & Technology Development Company from 1991 to 1997. Mr. Xu was a secretary at the PRC State Council Secretary Bureau from 1984 to 1991. Mr. Xu received his associate's degree in business and economics management from Beijing Normal University in 1996.

Mr. Peixin Xu has served as our director since January 2014. Mr. Xu is the founder of Bison Capital. Mr. Xu is also chairman of Huasheng Taitong Media Investment Co., Ltd., a TV production company and a researcher at Peking University. He was founder and chairman of Beijing Redbaby Info-Tech Co., Ltd., a B2C e-commerce company mainly focusing on the maternal and infant products, and a partner of New Enterprise Associates, a venture capital fund. Prior to that, Mr. Xu was a manager for new business at Beijing Northstar Industrial Group, a state-owned comprehensive real estate development and services business group. Mr. Xu received a bachelor of arts degree in business administration from the Tianjin University of Commerce. Mr. Xu has also served as an independent director and chairman of strategy committee of Bona Film Group Limited, a Nasdaq listed public company, since November 2011.

Mr. Conor Chiahung Yang has served as our independent director since March 2013. Mr. Yang has served as the chief financial officer of Tuniu Corporation since January 2013. Previously, Mr. Yang was the chief financial officer of E-Commerce China Dangdang Inc., a NYSE-listed company, from March 2010 to July 2012 and the chief financial officer of our company, from March 2007 to March 2010. Mr. Yang was the chief executive officer of Rock Mobile Corporation from 2004 to February 2007. From 1999 to 2004, Mr. Yang served as the chief financial officer of the Asia Pacific region for CellStar Asia Corporation. Mr. Yang was an executive director of Goldman Sachs (Asia) L.L.C. from 1997 to 1999. Prior to that, Mr. Yang was a vice president of Lehman Brothers Asia Limited from 1994 to 1996 and an associate at Morgan Stanley Asia Limited from 1992 to 1994. Mr. Yang currently serves as an independent director of Leyou Technologies Holdings Limited, Mr. Yang received his MBA degree from University of California, Los Angeles in 1992 and his bachelor's degree from Fu Jen University in Taiwan in 1985.

Mr. Shichong Shan has served as our independent director since July 2007. Mr. Shan has retired since 1996. Before he retired, Mr. Shan had held a number of senior executive positions in various government agencies and other organizations in the aviation industry in China, including the General Administration of Civil Aviation of China. Mr. Shan graduated from Shanghai Lixin University of Commerce and attended the college program at the Eastern China Military and Politics Institute.

Mr. Dong Wen has served as our independent director since July 2015. Mr. Wen has been the general manager of the home furnishing business division of Leju Holdings Limited (NYSE: LEJU) since 2011. Prior to that, he worked for four years as the chief executive officer of Lianlian Technology Group, which is the largest channel management vendor for authorized third-party prepayment for China Mobile subscribers according to that company. From 2002 to 2007, Mr. Wen worked as a senior vice president of B&Q China.

Dr. Songzuo Xiang has served as our independent director since November 2008. He currently serves on the board of China Digital TV Co. Ltd., an NYSE-listed company providing conditional access systems to China's digital television market. From March 2009 to October 2009 and from July 2000 to July 2009, Dr. Xiang served as chief executive officer and director, respectively, of Ku6 Media Co., Ltd., a NASDAQ-listed company. He previously served as the Deputy Director of the Fund Planning Department at the People's Bank of China Shenzhen Branch and was an investment manager at Shenzhen Resources & Property Development Group. He was a visiting scholar at Columbia University from May 1999 to July 2000 and at Cambridge University from October 1998 to May 1999. Dr. Xiang received his bachelor's degree in engineering in Huazhong University of Science and Technology in 1986, his master's degree in international affairs from Columbia University in 1999, his master's degree in management science in 1993 and his Ph.D. degree in economics in 1993 from Renmin University in China.

Mr. Hua Zhuo. Mr. Zhuo has served as our director since July 2015. He has worked as the chairman and president of Zhongyuan Guoxin Credit Financing Guarantee Co., Ltd. since 2003. Prior to that, he worked as the general manager at several other companies. Mr. Zhuo received his MBA degree from Peking University.

Mr. Song Ye has served as our vice president in charge of product development since September 2015. Prior joining us, Mr. Ye was the product director of Qihoo 360 Technology, a major internet security software provider in China. Mr. Ye has extensive experience in developing customer orientated online products with his ability of design planning, operating, marketing and creating innovative business modes. Mr. Ye received his MBA degree from Guanghua School of Management, Peking University and his bachelor's degree from Nanjing University.

Mr. Bo Wu has served as our chief technology officer and vice president since December 2015. Prior joining us, Mr. Wu served as the chief architect for research and development of Baidu.com from September 2013 to June 2015, the senior vice president of Leadtone Wireless Communication Technology Co., Ltd. from September 2008 to April 2013 and the senior manager of research and development of Microsoft.

Mr. Bo Yang has served as our vice president in charge of the business development of our group companies since November 2015. From August 2010 to November 2015, Mr. Yang served as the business director of the mobile service section of Baidu.com, a leading searching engine in China, during which Mr Yang was in charge of the management and development of Baidu Mobile Searching Union. Prior to that, Mr. Yang was the business development manager of Borqs International Holding Corp and the operating director of Prosten Technology Holdings Limited. Mr. Yang received his EMBA degree from the University of Texas at Arlington, his master degree in software engineering from Nanjing and his bachelor's degree from University of Science and Technology of China

Mr. Peng Zhou has served as our vice president in charge of marketing and public relationship since January 2016. Mr. Peng Zhou has had an intimate knowledge in marketing and strategic planning for online products. Previously, Mr. Zhou served as the senior vice president of Tianji.com from January 2015 to November 2015. From January 2012 to December 2014, Mr. Zhou was the senior director of industry analysis in the marketing consultant department of Baidu.com. From August 2007 to August 2011, Mr. Zhou served as the marketing director of baicheng.com. Prior to that, Mr. Zhou worked in elong.com and Sohu.com. Mr. Zhou received his bachelor's degree from Tianjin University of Commerce.

Mr. Hong Li has served as our vice president in charge of In-bus WIFI business since May 2015. Prior Joining us, Mr. Li served as the vice president of Green Energy GP from March 2014 to May 2015, vice president of Greka Energy International Corp. from June 2008 to June 2013 and the executive director and president of Zhongyou Hengran Petroleum and Gases Co., Ltd from September 2003 to June 2008. Mr. Li received his bachelor's degree from Beijing International Studies University.

Ms. Rong Guo has served as our vice president in charge of In-train WIFI business since early 2015. Prior joining us, Ms. Guo has accumulated an abundant management experience on the online media industry. Ms. Guo served as the as the vice general manager of Baiyun International Airport Advertising Co., Ltd. and the account director of Shanghai Shengshi Great Wall Advertising Co., Ltd.

No family relationship exists between any of our directors and executive officers. There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person referred to above was selected as a director or member of senior management.

Employment Agreements

We have entered into employment agreements with all of our senior executive officers, namely Herman Man Guo, Richard Peidong Wu and James Zhonghua Feng. Our employment agreements with Mr. Guo and Mr. Feng each has an unfixed duration as required by the PRC Employment Law. Mr. Guo and Mr. Feng may terminate the respective agreement with a one-month prior notice while we will only be able to terminate such agreement in limited circumstances, such as for cause. Our employment agreement with Mr. Wu has a fixed duration and can be terminated by either us or Mr. Wu with a one-month prior notice. We have also entered into employment agreements with our other executive officers. Each of the contract terms was a period of two or three years. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the employee, including but not limited to a conviction or plea of guilty to certain crimes, negligence or dishonesty to our detriment and failure to perform the agreed-to duties after a reasonable opportunity to cure the failure. Furthermore, either we or an executive officer may terminate the employment at any time without cause upon advance written notice to the other party. These agreements do not provide for any special termination benefits, nor do we have other arrangements with these executive officers for special termination benefits.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any confidential information, trade secrets and know-how of our company or the confidential information of any third party, including our VIEs and our subsidiaries, received by us. In addition, each executive officer has agreed to be bound by non-competition restrictions set forth in his or her employment agreement. Specifically, each executive officer has agreed not to, for a period ranging from one to two years following the termination or expiration of the employment agreement, (i) carry on or be engaged or interested, directly or indirectly, as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with our business; (ii) solicit or entice away from us, or attempt to solicit or entice away from us, any person or entity who has been our customer, client or our representative or agent or in the habit of dealing with us within two years prior to such executive officer's termination of employment; (iii) solicit or entice away from us, or attempt to solicit or entice away from us, any person or entity who has been our officer, manager, consultant or employee within two years prior to such executive officer's termination of employment; or (iv) use a name including the word "AirMedia" or any other words used by us in our name or in the name of any of our products or services, in such a way as to be capable of or likely to be confused with our name or the name of our products or services.

B. Compensation

In 2015, the aggregate cash compensation to our executive officers was approximately \$0.3 million and the aggregate cash compensation to our non-executive directors was approximately \$0.3 million. Our PRC subsidiaries and consolidated VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. Other than the above-mentioned pension insurance mandated by applicable PRC law, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. No executive officer is entitled to any severance benefits upon termination of his or her employment with our company except as required under applicable PRC law.

Share Options

In July 2007, we adopted the 2007 Option Plan to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. In December 2009, we amended the 2007 Option Plan by increasing the maximum aggregate number of shares issuable under the plan from 12,000,000 to 17,000,000. In March 2011, our board of directors authorized the issuance of 2,000,000 ordinary shares under the 2011 Option Plan with the same aim as the 2007 Option Plan. In 2012, our board of directors adopted the 2012 Option Plan, under which we are authorized to grant restricted shares or options and other awards for a total issuance of up to 6,000,000 ordinary shares. As of December 31, 2015, options to purchase 10,438,840 of our ordinary shares were outstanding. The majority of these options will vest on a straight-line basis over a three-year period, with one-twelfth of the options vesting each quarter from the date of grant.

The following table summarizes, as of December 31, 2015, the outstanding options granted to our executive officers, directors and to other individuals as a group under our 2007 Option Plan, as amended, 2011 Option Plan and 2012 Option Plan.

Name	Ordinary Shares Underlying Options	Exercise Price (US\$/Share) ⁽¹⁾	Date of Grant	Expiration Date
Herman Man Guo	2,000,000	1.15	July 2, 2007	July 2, 2017
James Zhonghua Feng	436,114	1.15	July 2, 2007	July 2, 2017
	150,000	1.15	July 20, 2007	July 20, 2017
	840,000	1.15	July 10, 2009	July 10, 2016
	110,000	1.15	November 29, 2007	November 29, 2015
Richard Peidong Wu	1,276,620	1.025	June 1, 2014	June 1, 2019
Qing Xu	*	1.15	March 22, 2011	March 22, 2021
Peixin Xu	-	-	-	-
Conor Chia-hung Yang	*	1.15	July 2, 2007	July 2, 2017
	*	1.15	November 29, 2007	November 29, 2015
	*	1.15	July 10, 2009	July 10, 2016
Shichong Shan	*	1.15	July 20, 2007	July 20, 2017
Dong Wen	-	-	-	-
Songzuo Xiang	*	1.15	July 10, 2009	July 10, 2016
Hua Zhuo	-	-	-	-
Peng Zhou	-	-	-	-
Bo Wu	-	-	-	-
Bo Yang	-	-	-	-
Song Ye	-	-	-	-
Rong Guo	-	-	-	-
Hong Li	-	-	-	-
Other individuals as a group	280,000	1.57	July 20, 2007	July 20, 2017
Other individuals as a group	339,534	1.15	July 20, 2007	July 20, 2017
Other individuals as a group	35,000	1.57	November 29, 2007	November 29, 2015
Other individuals as a group	20,000	1.15	November 29, 2007	November 29, 2015
Other individuals as a group	730,884	1.15	July 10, 2009	July 10, 2016
Other individuals as a group	40,000	1.57	July 10, 2009	July 10, 2016
Other individuals as a group	20,000	1.15	July 10, 2009	July 10, 2016
Other individuals as a group	213,454	1.15	March 22, 2011	September 1, 2017
Other individuals as a group	200,000	1.15	March 22, 2011	March 22, 2016
Other individuals as a group	600,000	1.15	March 22, 2011	March 22, 2021
Other individuals as a group	273,324	0.72	September 4, 2012	May 31, 2016
Other individuals as a group	103,332	1.025	June 1, 2014	April 1, 2016
Other individuals as a group	690,000	1.025	June 1, 2014	June 1, 2019
Other individuals as a group	8,430	1.045	August 1, 2014	January 31, 2016
Other individuals as a group	16,664	1.675	May 12, 2015	January 1, 2016
Other individuals as a group	53,702	1.675	May 12, 2015	April 1, 2016
Other individuals as a group	260,000	1.675	May 12, 2015	May 12, 2020
Other individuals as a group	75,840	1.045	August 1, 2014	August 1, 2019

* Aggregate beneficial ownership of our company by such officer or director is less than 1% of our total outstanding ordinary shares.

- (1) On August 23, 2011, in order to provide better incentive to our employees, our board of directors approved an adjustment to the exercise price of a portion of the stock options previously granted to certain optionees on July 2, 2007, July 20, 2007, November 29, 2007, July 10, 2009 and March 22, 2011. The exercise price for the adjusted portion of the options is \$1.15 per ordinary share and the exercise price for the unadjusted portion will remain the same at \$1.57 per ordinary share.

The following paragraphs summarize the terms of our 2007 Option Plan, as amended, 2011 Option Plan and 2012 Option Plan:

Plan Administration. Our board of directors, or a committee designated by our board or directors, will administer the plans. The committee or the full board of directors, as appropriate, will determine the provisions and terms and conditions of each option grant.

Award Agreements. Options and stock purchase rights granted under our plans are evidenced by a stock option agreement or a stock purchase right agreement, as applicable, that sets forth the terms, conditions and limitations for each grant. In addition, the stock option agreement and the stock purchase right agreement also provide that securities granted are subject to a 180-day lock-up period following the effective date of a registration statement filed by us under the Securities Act, if so requested by us or any representative of the underwriters in connection with any registration of the offering of any of our securities.

Eligibility. We may grant awards to our employees, directors and consultants or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest.

Acceleration of Options upon Corporate Transactions. The outstanding options will terminate and accelerate upon occurrence of a change-of-control corporate transaction where the successor entity does not assume our outstanding options under the plans. In such event, each outstanding option will become fully vested and immediately exercisable, and the transfer restrictions on the awards will be released and the repurchase or forfeiture rights will terminate immediately before the date of the change-of-control transaction provided that the grantee's continuous service with us shall not be terminated before that date.

Exercise Price and Terms of the Options. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the compensation committee, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or exchange rules, a re-pricing of options mentioned in the preceding sentence shall be effective without the approval of our shareholders or the approval of the optionees. Notwithstanding the foregoing, the exercise price per share subject to an option may not be increased without the approval of the affected optionees. If we grant an option to an individual who, at the date of grant, possesses more than ten percent of the total combined voting power of all classes of our shares, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant. The compensation committee shall determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting, and shall determine any conditions, if any, that must be satisfied before all or part of an option may be exercised. The term of each option grant shall be stated in the stock option agreement, provided that the term shall not exceed 10 years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines, or the stock option agreement specifies, the vesting schedule.

Transfer Restrictions. Options to purchase our ordinary shares may not be transferred in any manner by the optionee other than by will or the laws of succession and may be exercised during the lifetime of the optionee only by the optionee.

Termination of the Plan. Unless terminated earlier, the 2007 Option Plan will expire and no further awards may be granted under it after July 2017, our 2011 Option Plan will expire and no further awards may be granted under it after March 2021, and our 2012 Option Plan will expire and no further awards may be granted under it after November 2022. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may impair the rights of any optionee unless agreed by the optionee.

C. Board Practices

Our board of directors currently consists of nine directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. The remuneration to be paid to the directors is determined by the board of directors. There is no age limit requirement for directors.

Board Committees

We have established three committees under the board of directors: an audit committee, a compensation committee, and a compliance committee. We currently do not plan to establish a nominating committee. The independent directors of our company will select and recommend to the board for nomination by the board such candidates as the independent directors, in the exercise of their judgment, have found to be well qualified and willing and available to serve as our directors prior to each annual meeting of our shareholders at which our directors are to be elected or reelected. In addition, our board of directors has resolved that director nominations be approved by a majority of the board as well as a majority of the independent directors of the board. A majority of our board of directors are independent directors. We have adopted a charter for each of the board committees. Each committee's members and responsibilities are described below.

Audit Committee. Our audit committee consists of Messrs. Songzuo Xiang, Shichong Shan and Conor Chia-hung Yang. Mr. Yang is the chairperson. Our board of directors has determined that all members of our audit committee satisfy the "independence" requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations of the NASDAQ Stock Market LLC. We have determined that each of Songzuo Xiang and Conor Chia-hung Yang qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions on an ongoing basis;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- other matters specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management and the independent auditors; and
- reporting regularly to the full board of directors.

Compensation Committee. Our compensation committee consists of Messrs. Junjie Ding, Conor Chia-hung Yang and Shichong Shan. Conor Chia-hung Yang is the chairperson. Our board of directors has determined that Messrs. Hua Zhuo, Conor Chia-hung Yang and Shichong Shan satisfy the "independence" requirements of the rules and regulations of the NASDAQ Stock Market LLC. Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending to the board with respect to the total compensation package for our executive officers;
- reviewing and making recommendations to the board with respect to the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Compliance Committee. Our compliance committee consists of Messrs. Qing Xu, Songzuo Xiang and Hua Zhuo. Mr. Xu is the chairperson. Our compliance committee assists the board in overseeing the Company's compliance with the laws and regulations applicable to the Company's business, and compliance with the Company's code of business conduct and ethics and related policies by employees, officers, directors and other agents and associates of the Company. The compliance committee is responsible for, among other things:

- establishing and revising project and purchase control policies;
- establishing and revising administration and business supervision policies;
- accepting, investigating, and settling any comments, complaints, and reports from employees;
- investigating and settling any matters delegated from the board of directors; and
- monitoring the status of implementation of company policies.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time.

Terms of Directors and Officers

All directors hold office until the expiration of their terms and until their successors have been elected and qualified. A director may be removed from office before the expiry of his term by a special resolution passed by the shareholders. The directors shall be subject to retirement by rotation. One-half of the directors (or, if the total number of directors is not a multiple of two, the number nearest to but not less than one-half) shall retire from office and cease to be a director at the annual general meeting held in 2013, and shall be eligible for re-election at such meeting, and any director so re-elected shall serve a term of office which shall expire on 31 July 2015. Every director who does not retire by rotation at the annual general meeting held in 2013 shall serve a term of office which shall expire on July 31, 2014. Any director who is newly appointed shall serve a term of office which shall expire on the 31st day of July which is not less than one year nor more than two years after the date of such appointment. Upon the expiry of each director's term of office, he shall automatically retire and cease to be a director, but shall be eligible for re-election by the board of directors. Any director who is so re-elected shall serve an additional term which shall expire on the 31st day of July of the year which is two years after such re-election. There shall be no limit on the number of times which a director may be re-elected or the number of additional terms which any such director may serve. Our articles of association also provide that the office of a director shall be vacated in a limited number of circumstances, namely if the director: (a) becomes bankrupt or makes any arrangement or composition with his creditors; (b) is found to be or becomes of unsound mind; (c) resigns his office by notice in writing to our Company; or (d) without special leave of absence from the board of directors, is absent from meetings of the board of directors for six consecutive months and the board of directors resolves that his office be vacated. Officers are elected by and serve at the discretion of the board of directors.

In addition, our service agreements with our directors do not provide benefits upon termination of their services.

D. Employees

We had 887, 890 and 415 employees as of December 31, 2013, 2014 and 2015, respectively. The decrease in our number of employees from 2014 to 2015 was mainly attributable to our divestitures of several of our business lines in 2015. The following table sets forth the number of our employees by area of business as of December 31, 2013, 2014 and 2015, respectively:

	As of December 31,					
	2013		2014		2015	
	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
Sales and Marketing Department	370	41.7	369	41.5	57	13.7
Quality Control and Technology Department	244	27.5	200	22.5	175	42.2
Programming Department	52	5.9	74	8.3	19	4.6
Resources Development Department	57	6.4	81	9.1	15	3.6
General Administrative and Accounting	164	18.5	166	18.6	149	35.9
Total	887	100.0	890	100.0	415	100.0

The following table sets forth the breakdown of employees by geographic location as of December 31, 2015:

City	Number of Employees	% of Total
Beijing	337	81.2%
Shanghai	4	1.0%
Guangzhou	19	4.6%
Shenzhen	5	1.2%
Chengdu	2	0.5%
Wenzhou	11	2.7%
Others	37	8.9%
Total	415	100.0%

Generally we enter into standard employment contracts with our officers, managers and other employees. According to these contracts, all of our employees are prohibited from engaging in any other employment during the period of their employment with us. The employment contracts with officers and managers are subject to renewal every three years and the employment contracts with other employees are subject to renewal every year.

In addition, we enter into standard confidentiality agreements with all of our employees including officers and managers that prohibit any employee from disclosing confidential information obtained during their employment with us. Furthermore, the confidentiality agreements include a covenant that prohibits all employees from engaging in any activities that compete with our business up to two years after their employment with us terminates.

Our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be generally good.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2016, by:

- each of our directors and executive officers; and
- each principal shareholder, or person known to us to own beneficially more than 5.0% of our ordinary shares.

The calculations in the shareholder table below are based on 125,230,667 ordinary shares outstanding as of March 31, 2016 (excluding 2,431,390 ordinary shares and ordinary shares represented by ADSs reserved for settlement upon exercise of our incentive share awards). Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days after March 31, 2016, the most recent practicable date, including through the exercise of any option, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Shares Beneficially Owned	
	Number	%
Directors and Executive Officers:		
Herman Man Guo ⁽¹⁾	19,505,980	15.3%
James Zhonghua Feng ⁽²⁾	4,692,242	3.7%
Richard Peidong Wu	*	*
Qing Xu ⁽³⁾	1,600,000	1.3%
Peixin Xu ⁽⁶⁾	12,000,000	9.6%
Conor Chiahung Yang	*	*
Shichong Shan	*	*
Dong Wen	—	—
Songzuo Xiang	*	*
Hua Zhuo	—	—
Song Ye	—	—
Bo Yang	—	—
Bo Wu	—	—
Peng Zhou	—	—
Hong Li	—	—
Rong Guo	—	—
All directors and executive officers	39,608,852	30.4%
Principal Shareholders:		
Dan Shao ⁽⁴⁾	20,584,214	16.4%
Wealthy Environment Limited ⁽⁵⁾	17,505,980	14.0%
Bison Capital Media Limited ⁽⁶⁾	12,000,000	9.6%

* Aggregate beneficial ownership of our company by such director or officer is less than 1% of our total outstanding ordinary shares.

(1) Includes (i) 16,105,980 ordinary shares held by Wealthy Environment Limited, a BVI company wholly owned by Mr. Herman Man Guo, (ii) 1,400,000 ordinary shares represented by American Depositary Shares held by Wealthy Environment Limited and (iii) 2,000,000 ordinary shares issuable upon exercise of options held by Mr. Guo that are exercisable within 60 days.

(2) Includes (i) 540,000 ordinary shares represented by American Depositary Shares held by Ample Business International, (ii) 1,536,114 ordinary shares issuable upon exercise of options held by Mr. James Zhonghua Feng that are exercisable within 60 days, and (iii) 2,616,128 ordinary shares held by Ample Business International Ltd., a BVI company wholly owned by Mr. James Zhonghua Feng. The registered address of Ample Business International Ltd. is OMC Chambers, P.O. Box 3152, Road Town, Tortola, BVI.

- (3) Includes (i) 1,000,000 ordinary shares held by Mambo Fiesta Limited, a BVI company wholly owned by Mr. Qing Xu, and (ii) 600,000 ordinary shares issuable upon exercise of options held by Mr. Xu that are exercisable within 60 days.
- (4) Includes (i) 20,000,000 ordinary shares held by Global Earning Pacific Limited and (ii) 584,214 ordinary shares represented by ADSs that Ms. Dan Shao purchased in one or more open-market transactions. Global Earning Pacific Limited, a company incorporated in BVI, is wholly owned and controlled by Ms. Dan Shao, Mr. Herman Man Guo's wife. The registered address of Global Earning Pacific Limited is OMC Chambers, Wickham Cay 1, Road Town Tortola, BVI.
- (5) Includes (i) 16,105,980 ordinary shares held by Wealthy Environment Limited, and (ii) 1,400,000 ordinary shares represented by American Depositary Shares held by Wealthy Environment Limited. Wealthy Environment Limited, a company incorporated in BVI, is wholly owned and controlled by Herman Man Guo. The registered address of Wealthy Environment Limited is P.O. Box 173, Kingston Chambers, Road Town Tortola, BVI.
- (6) The address of Bison Capital Media Limited is c/o Bison Capital Holding Company Limited, 609-610, 21st Century Tower, 40 Liangmaqiao Road, Chaoyang District, Beijing, People's Republic of China, 100016. Bison Capital Media Limited, a Cayman Islands company, is wholly-owned by Bison Capital Holding Company Limited, a Cayman Islands company, which is in turn wholly owned by Ms. Fengyun Jiang, a citizen of Hong Kong Special Administrative Region. Ms. Jiang is the sole director of both Bison Capital Media Limited and Bison Capital Holding Company Limited. Ms. Jiang possesses the power to direct the voting and disposition of the shares owned by Bison Capital Media Limited and may be deemed to have beneficial ownership of such shares. Mr. Peixin Xu is the husband of Ms. Jiang and, as such, Mr. Xu may be deemed to beneficially own the 12,000,000 ordinary shares directly held by Bison Capital Media Limited in the form of ADSs.

Other than as otherwise disclosed in this report, we are not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person severally or jointly. None of our major shareholders have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of March 31, 2016, 127,662,057 of our ordinary shares were issued and outstanding, of which 2,431,390 ordinary shares are issued to our depository bank reserved for future exercise of vested options. To our knowledge, we had only one record shareholder in the United States, JPMorgan Chase Bank, N. A., which is the depository of our ADS program and held approximately 68.7% of our total outstanding ordinary shares as of March 31, 2016. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

For the options granted to our directors, officers and employees, please refer to "— B. Compensation — Share Options."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees — E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements

Our consolidated VIEs, AM Yuehang, and AirMedia Shengshi, together with their subsidiaries, directly operate our air travel advertising network, enter into related concession rights contracts and sell advertising time slots and advertising locations to our advertisers. Our consolidated VIE, AM Online, along with its subsidiaries, enters into concession rights contracts in relation to our Wi-Fi business and is expected to directly operate this business and enter into related business contracts. We have been and expect to continue to be dependent on our VIEs to operate our advertising business and Wi-Fi business. AM Technology has entered into contractual arrangements with our VIEs, pursuant to which AM Technology provides exclusive technology support and service and technology development services in exchange for payments from them. In addition, AM Technology has entered into agreements with our VIEs and each of their individual shareholders (except Yi Zhang), which provide AM Technology with the substantial ability to control our VIEs. These agreements are summarized in the following paragraphs.

- **Technology support and service agreements:** AM Technology provides exclusive technology support and consulting services to our VIEs and in return, the VIEs are required to pay AM Technology service fees. Except for AM Online, the VIEs pay to AM Technology annual service fees in the amount that guarantee that the VIEs can achieve, after deducting such service fees payable to AM Technology, a net cost- plus rate of no less than 0.5% in the case of AirMedia Shengshi and Jiaming Advertising, or 1.0% in the case of AM Yuehang. It is at AM Technology's sole discretion that the rate and amount of service fees ultimately charged the VIEs under these agreements are determined. The "net cost-plus rate" refers to the operating profit as a percentage of total costs and expenses of a certain entity. The technology support and service fees for each given year payable by AM Online to AM Technology under AM Online's technology support and service agreement shall be determined by AM Online and AM Technology at the first month of such year taking into account several factors. Those factors include the credential of the team of AM Technology that provides services to AM Online, the number of service hours, the nature and value of the services provided by AM Technology, the extent to which AM Technology provides patent or other license to AM Online in its provision of technology support and service and the correlation between AM Online's results of operations and the technology support and service provided by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fee. The technology support and service agreements are effective for ten years and such term is automatically renewed upon their expiration unless either party to an agreement informs the other party of its intention not to extend at least twenty days prior to the expiration of these agreements.
- **Technology development agreements:** Our VIEs exclusively engage AM Technology to provide technology development services. AM Technology owns the intellectual property rights developed in the performance of these agreements. Except for AM Online, the VIEs pay to AM Technology annual service fees in the amount that guarantee that the VIEs can achieve, after deducting such service fees payable to AM Technology, a net cost-plus rate of no less than 0.5% in the case of AirMedia Shengshi and Jiaming Advertising, which final rate should be determined by AM Technology. It is at AM Technology's sole discretion the rate and amount of fees ultimately charged the VIEs under these agreements are determined. The "net cost-plus rate" refers to the operating profit as a percentage of total costs and expenses of a certain entity. The technology development fees for each given year payable by AM Online to AM Technology under AM Online's technology development agreement shall be determined by AM Online and AM Technology at the first month of such year taking into account several factors. Those factors include the credential of the team of AM Technology that provides services to AM Online, the number of service hours, the nature and value of the services provided by AM Technology, the extent to which AM Technology provides patent or other license to AM Online in its provision of technology development service and the correlation between AM Online's results of operations and the technology development service provided by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fee. The technology development agreements are effective for ten years and such term is automatically renewed upon their expiration unless either party informs the other party of its intention not to extend at least twenty days prior to the expiration of these agreements.
- **Exclusive Technology Consultation and Service Agreement:** AM online exclusively engages AM Technology to provide consultation services in relation to management, training, marketing and promotion. AM Online agrees to pay to AM Technology the amount of annual service fees as determined by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fees. The exclusive technology consultation and service agreement remains effective for ten years and such term may be reviewed by AM Technology's written confirmation prior to the expiration of the agreement term.

Call option agreements: Under the call option agreements between AM Technology and the individual shareholders (except Yi Zhang) of AirMedia Shengshi, AM Yuehang and Jiaming Advertising, the shareholders of those VIEs irrevocably granted AM Technology or its designated third party an exclusive option to purchase from the VIEs' shareholders, to the extent permitted under PRC law, all the equity interests in the VIEs, as the case may be, for the minimum amount of consideration permitted by the applicable law without any other conditions. Under the call option agreements between AM Technology and the shareholders of AM Online, the shareholders of AM Online (except Yi Zhang) irrevocably granted AM Technology or its designated third party an exclusive option to purchase from the shareholders of AM Online, to the extent permitted under PRC law, all the equity interests in AM Online, as the case may be. To the extent the applicable PRC law does not require the valuation of the subject equity interests and does not otherwise restrict the purchase price for such equity interests, such purchase price shall equal the amount of actual payment made by the respective shareholders of AM Online with respect to the equity interests whether in the form of share capital injection or secondary purchase price. If and where the applicable PRC law requires the valuation of the subject equity interests or otherwise has restrictions on the purchase price for such equity interests, such purchase price shall equal the minimum amount of consideration permitted by the applicable law. In addition, under these agreements (except for the call option agreements between AM Technology and the shareholders of AM Online), AM Technology has undertaken to act as guarantor of VIEs in all operations-related contracts, agreements and transactions and commit to provide loans to support the business development needs of VIEs or if the VIEs suffer operating difficulties, provided that the relevant VIE's shareholders satisfy the terms and conditions in the call option agreements. Under PRC laws, to provide an effective guarantee, a guarantor needs to execute a specific written agreement with the beneficiary of the guarantee. As AM Technology has not entered into any written guarantee agreements with any third party beneficiaries to guarantee the VIEs' performance obligations to these third parties, none of these third parties can demand performance from AM Technology as a guarantor of the VIEs' performance obligations. The absence of a written guarantee agreement, however, does not affect our conclusion that we are the primary beneficiary of the VIEs and in turn should consolidate the financials of the VIEs. The term of each call option agreement is ten years and such terms can be renewed upon expiration at AM Technology's sole discretion. In January 2016, shareholders of AM Online, AirMedia Shengshi and Jiaming Advertising (except Yi Zhang) entered into a supplement agreement to provide that, without respect to the changes in equity interest percentages of those shareholders in the respective VIEs, the relevant provisions of the respective call option agreements shall continue to apply.

Equity pledge agreements: Under the equity pledge agreements between AM Technology and the individual shareholders of our VIEs other than AM Online, the individual shareholders of those VIEs (except Yi Zhang) pledged all of their equity interests, including the right to receive declared dividends, in those VIEs to AM Technology to guarantee those VIEs' performance of their obligations under the technology support and service agreement and the technology development agreement. Under the equity pledge agreements between AM Technology and the shareholders of AM Online, the shareholders of AM Online (except Yi Zhang) pledged all of their equity interests, including the right to receive declared dividends, in AM Online to AM Technology to guarantee the performance by AM Online of its obligations under its call option agreement and its exclusive technology consultation and service agreement. If the VIEs fail to perform its obligations set forth in the applicable agreements, AM Technology shall be entitled to exercise all the remedies and powers set forth in the provisions of the applicable equity pledge agreements. Those agreements remain effective for as long as the technology support and service agreements and technology development agreement are effective, or, in the case of AM Online, until two years after the term of the obligations under the call option agreement and exclusive technology consultation and service agreement. Pursuant to the PRC Property Rights Law, an equity pledge is not perfected as a security property right unless it is registered with the competent local administration for industry and commerce. We have not yet registered the share pledges by shareholders of AM Online, AirMedia Shengshi and Jiaming Advertising. In January 2016, shareholders of AM Online, AirMedia Shengshi and Jiaming Advertising (except Yi Zhang) entered into a supplement agreement to provide that, without respect to the changes in equity interest percentages of those shareholders in the respective VIEs, the relevant provisions of the respective equity pledge agreements shall continue to apply.

Authorization letters: Each individual shareholder of the VIEs (except Yi Zhang) has executed an authorization letter to authorize persons appointed by AM Technology to exercise certain of its rights, including voting rights, the rights to enter into legal documents and the rights to transfer any or all of its equity interest in the VIEs. The authorization letters by the shareholders of our VIEs will remain effective during the operating periods of the respective VIEs and for so long as the respective parties remain shareholders of the VIEs unless terminated earlier by AM Technology or unless the call option agreement with respect to VIEs is terminated prior to its expiration.

Through the above contractual arrangements, AM Technology has obtained the voting interest in the VIEs of all their shareholders (except Yi Zhang), has the right to receive substantially all dividends declared and paid by the VIEs and may receive substantially all of the net income of the VIEs through the technical support and service fees as determined by AM Technology at its sole discretion. Accordingly, we have consolidated the VIEs because we believe, through the contractual arrangements, (1) AM Technology could direct the activities of the VIEs that most significantly affect its economic performance and (2) AM Technology could receive substantially all of the benefits that could be potentially significant to the VIEs. Other than the contractual arrangements described above, because the management and certain employees of AM Technology also serve in the VIEs as management or employees, certain operating costs paid by AM Technology, such as payroll costs and office rental, were re-charged to the VIEs.

AM Technology also entered into loan agreements with each shareholder of AM Online (except Yi Zhang), pursuant to which AM Technology agrees to make loans in an aggregate amount of RMB50 million to the shareholders of AM Online solely for the incorporation and capitalization of AM Online. The loan is interest free and the term of the loan is ten years and shall be automatically renewed on an annual basis unless AM Technology objects. AM Technology can require the shareholders to repay all or a portion of the loan before the maturity date with a 15 days prior written notice. Under such circumstances, AM Technology is entitled to, or designate a third party to, buy all or a portion of the shareholders' equity interests in AM Online on a pro rata basis based on the amount of the repaid principal of the loan. As of the date of this annual report, no loan had been made and the capital of AM Online subscribed by shareholders other than Yi Zhang was not injected.

Amounts due from related parties

As of December 31, 2015, we had \$1.2 million due from Beijing AirMedia Advertising Co., Ltd., a wholly owned subsidiary of one of our equity method investees, and it represents the amount of concession using fees receivable as of December 31, 2015.

As of December 31, 2015, we had \$0.6 million due from Beijing AirMedia Lianhe Advertising Co., Ltd, a wholly owned subsidiary of one of our equity method investees, and it represents the amount of concession using fees receivable as of December 31, 2015.

As of December 31, 2015, we had \$0.4 million due from AirMedia City (Beijing) Outdoor Advertising Co., Ltd., a wholly owned subsidiary of one of our equity method investees, and it represents the amount of concession using fees receivable as of December 31, 2015.

As of December 31, 2015, we had \$0.4 million due from Beijing AirMedia Jinshi Advertising Co., Ltd., a wholly owned subsidiary of one of our equity method investees, and it represents the amount of concession using fees receivable as of December 31, 2015.

As of December 31, 2015, we had \$0.2 million due from Beijing Dayun Culture Communication Co., Ltd., an entity invested by our management, and it represents the unreceived consideration of \$0.2 million for selling 20% of equity interests in AirMedia Lianhe as of December 31, 2015.

Amounts due to related parties

As of December 31, 2015, we had \$15.1 million due to AM Advertising for using concessions owned by AM Advertising and unpaid loans incurred before the disposal and related interests due to AM Advertising as of December 31, 2015.

As of December 31, 2015, we had \$0.3 million due to AirTV United raised from the restructuring before the disposal.

Transactions with related parties

During 2015, we earned \$0.3 million revenues and incurred \$0.1 million costs from Beijing AirMedia Advertising Co., Ltd. and Beijing AirMedia Jinshi Advertising Co., Ltd. for some concession in certain airports.

Share Options

See "Item 6. Directors, Senior Management and Employees — B. Compensation — Share Options."

"Going-Private" Transaction

On June 19, 2015, the Mr. Herman Man Guo submitted to the board of directors of the Company a preliminary non-binding proposal letter (the "Proposal Letter") to acquire the Company in a going private transaction for \$3.00 in cash per Share (or \$6.00 in cash per ADS) other than any ordinary shares or ADSs of the Company beneficially held by Mr. Herman Man Guo, his affiliates or other management shareholders who may choose to roll over their Shares in connection with the proposed acquisition (the "Proposal"). The proposed purchase price represents a premium of approximately 70.5% to the closing trading price of our ADS on June 18, 2015, the last trading day prior to the date of the going-private proposal. Our board of directors has formed a special committee consisting of three independent directors, Messrs. Conor Chia-hung Yang (to serve as chairman of the committee), Shichong Shan and Songzuo Xiang, to consider the Proposal.

On June 29, 2015, the Mr. Guo, Mr. Xu and Mr. Feng entered into a consortium agreement pursuant to which the consortium members agreed to, among other things, form a consortium to work exclusively with one another to undertake the proposed transaction described in the Proposal Letter. On September 18, 2015, upon signing and delivery of a withdrawal notice, Mr. Feng ceased to be a member of the buyer consortium. Also on September 18, 2015, Mr. Guo and Mr. Xu entered into an amended and restated consortium agreement pursuant to which the buyer consortium members agreed to, among other things, work exclusively with one another to undertake the proposed transaction described in the Proposal Letter.

On September 29, 2015, we, AirMedia Holdings Ltd. ("Parent") and AirMedia Merger Company Limited ("Merger Sub") executed and delivered the merger agreement and the applicable parties executed the ancillary documents relating thereto as to which they respectively are a party. The Company issued a press release announcing the execution of the merger agreement and the ancillary documents on September 30, 2015. Subject to satisfaction of the terms and conditions under the merger agreement, at the effective time of the merger, the Merger Sub will merge with and into our company, with our company continuing as the surviving corporation and a wholly-owned subsidiary of the Parent. Each of our ordinary shares (including ordinary shares represented by ADSs) issued and outstanding immediately prior to the effective time of the merger, other than (a) our ordinary shares (and the ordinary shares represented by ADSs) beneficially owned by the rollover shareholders, but excluding the 1,000,000 ordinary shares of the Company (in the form of 500,000 ADSs) beneficially owned by Mambo Fiesta Limited, a holding vehicle of Mr. Xu, (b) ordinary shares of the Company (including ordinary shares represented by ADSs) owned by Parent, Merger Sub or the Company (as treasury shares, if any), or by any direct or indirect wholly-owned subsidiary of Parent, Merger Sub or the Company, (c) ordinary shares (including ordinary shares represented by ADSs) reserved (but not yet allocated) by the Company for settlement upon exercise of the Company's incentive shares awards under any share incentive plans of the Company, and (d) ordinary shares owned by shareholders who have validly exercised and have not effectively withdrawn or lost their dissenters' rights under the Cayman Islands Companies Law, will be cancelled in exchange for the right to receive \$3.00 in cash without interest.

The merger is subject to customary closing conditions including the approval of the merger agreement by an affirmative vote of holders of shares representing at least two-thirds of the voting power of the shares present and voting in person or by proxy at a meeting of our shareholders which will be convened to consider the approval of the merger agreement and the merger.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

We have appended consolidated financial statements filed as part of this annual report. See "Item 18. Financial Statements".

Legal Proceedings

We may become subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time.

The Company and two of its officers were named as defendants in a putative securities class action filed on June 25, 2015 in the U.S. District Court for the Southern District of New York: *Huang v. AirMedia Group Inc. et al.*, Civil Action No. 1:15-CV-04966-ALC (S.D.N.Y.). The complaint in this putative class action alleges that certain of the defendants' financial statements and other public statements and disclosures contained misstatements or omissions, including with respect to the alleged sale of an equity interest in the Company's advertising subsidiary, in violation the U.S. securities laws. The complaint states that plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their trading activities related to the Company's ADRs between April 15 and June 15, 2015, and alleges violations of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On November 10, 2015, the Court appointed China Xiayuan Transportation Co. Ltd. as the lead plaintiff and appointed a lead counsel. On January 15, 2016, the lead plaintiff filed an amended complaint, advancing similar allegations and claims as the previously filed complaint and seeking to represent a class of persons who allegedly suffered damages as a result of their trading activities related to the Company's ADRs between April 7 and June 15, 2015. On February 5, 2016, the Company filed a letter pursuant to the judge's individual practice rules, in which the Company identified the bases for its anticipated motion to dismiss the amended complaint and requested a pre-motion conference. On February 10, 2016, the lead plaintiff filed a letter in response to the Company's the February 5, 2016 letter. On February 11, 2016, the court denied the request for a pre-motion conference, and ordered a briefing schedule. Consistent with the court's briefing schedule, on March 10, 2016, the Company and one of its officers (the "Filing Defendants") filed a motion to dismiss the amended complaint. On April 7, 2016, the lead plaintiff filed its opposition to the motion to dismiss. On April 21, 2016, the Filing Defendants filed a reply to the lead plaintiff's opposition. The action otherwise remains in its preliminary stages. We believe the case is without merit and intend to defend the actions vigorously. For risks and uncertainties relating to the pending cases against us, please see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We have been named as a defendant in putative shareholder class action lawsuits that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation."

We are not currently a party to, nor are we aware of, any other legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Dividend Policy

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has discretion in deciding whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant change since the date of our audited consolidated financial statements filed as part of this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

See "—C. Markets."

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing two of our ordinary shares, were listed on the NASDAQ Global Market on November 7, 2007 and were subsequently transferred to the NASDAQ Global Select Market. Our ADSs trade under the symbol "AMCN." The following table provides the high and low trading prices for our ADSs for the periods noted.

<i>Annual Market Prices</i>	High	Low
Year 2011	7.60	2.10
Year 2012	4.01	1.33
Year 2013	3.20	1.50
Year 2014	3.24	1.65
Year 2015	7.70	1.83

Quarterly Market Prices

First Quarter 2014	3.24	1.90
Second Quarter 2014	2.56	1.96
Third Quarter 2014	2.41	1.65
Fourth Quarter 2014	3.20	1.67
First Quarter 2015	2.64	1.83
Second Quarter 2015	7.70	1.91
Third Quarter 2015	5.42	3.39
Fourth Quarter 2015	5.64	5.28
First Quarter 2016	5.71	5.05

Monthly Market Prices

October 2015	5.63	5.28
November 2015	5.54	5.28
December 2015	5.64	5.41
January 2016	5.64	5.34
February 2016	5.53	5.05
March 2016	5.71	5.46
April 2016	5.66	5.16
May 2016 (until May 13, 2016)	5.47	4.06

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material terms and provisions of our amended and restated memorandum and articles of association and the Companies Law (2013 Revision) of the Cayman Islands, or the Companies Law, insofar as they relate to the material terms of our ordinary shares. This summary is not complete, and you should read our amended and restated memorandum and articles of association, which has been filed as Exhibit 99.3 to our Form 6-K (File No. 001-33765) filed with the SEC on December 10, 2009, and the amendment thereto, which has been filed as Exhibit 99.2 to our Form 6-K (File No. 001-33765) filed with the SEC on June 27, 2013. We subsequently amended our memorandum and articles of association by shareholders' resolutions passed on July 18, 2013, the results of which have been filed as Exhibit 99.1 to our Form 6-K (File No. 001-33765) filed with the SEC on July 23, 2013.

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See "Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management."

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividend Rights

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

Voting Rights

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by one or more shareholders holding together at least ten percent of the shares given a right to vote at the meeting, present in person or by proxy.

A quorum required for a meeting of shareholders consists of shareholders holding not less than an aggregate of one-third of all voting share capital of the Company in issue present in person or by proxy and entitled to vote. Shareholders' meetings may be held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-third of our voting share capital. Advance notice of at least fourteen days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidating or dividing all or any of our share capital into shares of larger amount than our existing shares, and canceling any shares that are authorized but unissued.

Transfer of Shares

Subject to the restrictions of our articles of association, as applicable, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in writing and executed by or on behalf of the transferor, accompanied by the certificates of such shares and such other evidence as the Directors may reasonably require to show the right of the shareholder to make the transfer.

Repurchase of Shares

Subject to the provisions of the Companies Law and our articles of association, our board of directors may authorize repurchase of our shares in accordance with the manner of purchase specified in our articles of association without seeking shareholder approval. Once the shares have been repurchased, they may be cancelled or held in the name of the company as treasury shares.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Redemption of Shares

We may issue shares on terms that are subject to redemption on such terms and in such manner as may, before the issue of such shares, be determined by our board of directors.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least fourteen calendar days prior to the specified time and place of payment. Shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Variations of Rights of Shares

All or any of the special rights attached to any class of shares may, subject to the provisions of our articles of association be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

See "— H. Documents on Display."

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described above, in "Item 4. Information on the Company" or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

There are no material exchange controls restrictions on payment of dividends, interest or other payments to the holders of our ordinary shares or on the conduct of our operations in the Cayman Islands, where we were incorporated. Cayman Islands law and our memorandum and articles of association do not impose any material limitations on the right of nonresidents or foreign owners to hold or vote our ordinary shares.

See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Exchange" for a description of PRC regulations on foreign exchange.

E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No Cayman Islands stamp duty will be payable unless an instrument is executed in, or after execution brought to or produced before a court in the Cayman Islands.

The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC Taxation

Under the EIT Law, foreign corporate shareholders and corporate ADSs holders may be subject to a 10% income tax upon the dividends payable by us or on any gains they realize from the transfer of our shares or ADSs, if we are classified as a PRC resident enterprise and such income is regarded as income from "sources within the PRC." Given the fact that whether we would be regarded as "resident enterprise" is not clear, it is uncertain whether foreign corporate shareholders and corporate ADSs holders may be subject to a 10% income tax upon the dividends payable by us or on any gains they realize from the transfer of our shares or ADSs. If we are required under the PRC tax law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders and ADS holders or if any gains of the transfer of their shares or ADSs are subject to PRC tax, such holders' investment in our ADSs or ordinary shares may be materially and adversely affected.

United States Federal Income Taxation

The following is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code, but it does not purport to be a complete analysis of all potential tax consequences and considerations. This summary is based upon existing U.S. federal income tax law as of the date hereof, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular holders in light of their individual circumstances, including holders subject to special tax rules (for example, banks or other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, cooperatives, pension plans, broker-dealers, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our voting stock, holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, holders that hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, traders in securities that have elected the mark-to-market method of accounting for their securities or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any alternative minimum tax, state, local, non-U.S. tax or non-income tax (such as the United States federal gift and estate tax) considerations or the Medicare tax. Each U.S. Holder is urged to consult with its tax advisor regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations relating to the ownership and disposition of our ADSs or ordinary shares.

General

For purposes of this summary, a "U.S. Holder" is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and partners in such partnerships are urged to consult their tax advisors regarding their ownership and disposition of our ADSs or ordinary shares.

It is generally expected that a U.S. Holder of ADSs should be treated as the beneficial owner, for United States federal income tax purposes, of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a holder of ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to United States federal income tax.

Passive Foreign Investment Company Considerations

Although we do not believe that we were classified as a PFIC, for U.S. federal income tax purposes, for the taxable year ended December 31, 2015, there is a significant risk that we will become a PFIC for our current taxable year ending December 31, 2016 and future taxable years unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. In general, we will be classified as a PFIC for any taxable year if either (i) 75 percent or more of our gross income for such year is passive income or (ii) 50 percent or more of the average quarterly value of our assets (as generally determined on the basis of fair market value) produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are generally classified as passive and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25 percent (by value) of the stock. Although the law in this regard is unclear, we treat the VIEs (and their subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operations of such entities but also because we are entitled to substantially all of the economic benefits associated with such entities, and, as a result, we consolidate such entity's operating results in our consolidated financial statements. If it were determined, however, that we are not the owner of any of our VIEs (or their subsidiaries) for U.S. federal income tax purposes, we could be treated as a PFIC for the current taxable year or any future taxable year. Because there are uncertainties in the application of the relevant rules and PFIC status is a fact-intensive determination made on an annual basis, no assurance can be given with respect to our PFIC status for any taxable year.

If we are classified as a PFIC for any year during which a U.S. Holder holds ADSs or ordinary shares, a U.S. Holder will generally, as discussed below under "—Passive Foreign Investment Company Rules," be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder's holding period in which we are or become a PFIC and subsequent taxable years ("PFIC-Tainted Shares") even if, we in fact, cease to be a PFIC in subsequent taxable years.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds ADSs or ordinary shares, and unless a mark-to-market election (as described below) is made, a U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make (which generally means any distribution received in a taxable year that is greater than 125 percent of the average annual distributions received in the three preceding taxable years or such U.S. Holder's holding period for the ADSs or ordinary shares, if shorter), and (ii) any gain realized on the sale or other disposition, including a pledge, of our ADSs or ordinary shares. Under the PFIC rules:

- such excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- such amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are classified as a PFIC (a "pre-PFIC year") will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to such U.S. Holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the ADSs or ordinary shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of ADSs or ordinary shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions.

As an alternative to the foregoing rules, a holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock. Marketable stock is stock that is regularly traded on a qualified exchange or other market as defined in applicable United States Treasury Regulations. Our ADSs (but not our ordinary shares) are listed on the NASDAQ Global Select Market, which is a qualified exchange or other market for these purposes. We anticipate that the ADSs will be considered regularly traded for so long as they continue to be listed, but no assurance may be given in this regard. If a U.S. Holder makes this election, such holder will generally (i) include in gross income for each taxable year the excess, if any, of the fair market value of the ADSs at the end of the taxable year over the adjusted tax basis of the ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of the ADSs at the end of the taxable year, but only to the extent of the amount previously included in income as a result of the mark-to-market election. The adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a mark-to-market election is made in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, a U.S. Holder will generally not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a mark-to-market election is made, any gain recognized upon the sale or other disposition of ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs during any taxable year in which we are classified as PFIC and continues to hold such ADSs (or any portion thereof), and who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs. If a U.S. Holder makes a mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions, except that the reduced tax rate applicable to qualified dividend income (as discussed below in "—Dividends") would not apply.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investment held by us that is treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide the U.S. Holders with the information necessary to permit U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of holding and disposing ADSs or ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election, the "deemed sale" and "deemed dividend" elections.

Dividends

Subject to the PFIC rules discussed above, any cash distributions (including the amount of any taxes withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be reported as a "dividend" for U.S. federal income tax purposes. A non-corporate recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at a reduced U.S. federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States or, in the event that the company is deemed to be a PRC resident under the PRC Enterprise Income Tax Law, the company is eligible for the benefits of the United States-PRC treaty. Dividends received on the ADSs or ordinary shares are not expected to be eligible for the dividends received deduction allowed to corporations.

Although the ADSs are currently tradable on the NASDAQ Global Select Market, which is an established securities market in the United States, and thus we anticipate they will be considered readily tradable on an established securities market in the United States for purposes of the reduced tax rate, no assurance may be given in this regard. Since we do not expect that our ordinary shares will be listed on an established securities market in the United States, it is unclear whether dividends that we pay on our ordinary ADSs or ordinary shares that are not backed by ADSs meet the conditions required for the reduced tax rate. Each U.S. Holder is advised to consult its tax advisor regarding the rate of tax that will apply to such holder with respect to, dividend distributions, if any, received from us.

Dividends paid on our ADSs or ordinary shares generally will be treated as income from foreign sources for United States foreign tax credit purposes and generally will constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. Holder is advised to consult its tax advisor regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the PFIC rules discussed above, a U.S. Holder generally will recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. The deductibility of a capital loss is subject to limitations. Each U.S. Holder is advised to consult with its tax advisor regarding the tax consequences if a foreign withholding tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Information Reporting

Certain U.S. Holders are required to report information to the IRS relating to an interest in "specified foreign financial assets", including shares issued by a non-United States corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds US\$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a United States financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the IRS and fails to timely do so.

In addition, U.S. Holders may be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or ordinary shares. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their particular circumstances.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Expert

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C., 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JPMorgan Chase Bank, N. A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://www.airmedia.net.cn>. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates. A hypothetical 1% decrease in interest rates would have resulted in a decrease of approximately \$0.09 million in our interest income for the year ended December 31, 2015.

Foreign Exchange Risk

Our financial statements are expressed in U.S. dollars, which is our reporting and functional currency. However, substantially all of the revenues and expenses of our consolidated operating subsidiaries and affiliate entities are denominated in RMB. Substantially all of our sales contracts are denominated in RMB and substantially all of our costs and expenses are denominated in RMB. We have not had any material foreign exchange gains or losses. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of the business of our operating subsidiaries and VIEs is effectively denominated in RMB, while the ADSs are traded in U.S. dollars.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the RMB to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and the U.S. dollar remained within a narrow band. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

To the extent that we need to convert our U.S. dollar-denominated assets into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on RMB amount we receive from the conversion. A hypothetical 10% decrease in the exchange rate of the U.S. dollar against RMB would have resulted in a decrease of \$0.01 million in the value of our U.S. dollar-denominated financial assets at December 31, 2015. Conversely, if we decide to convert our RMB-denominated cash amounts into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to us.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

JPMorgan Chase Bank, N. A., the depository of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:	For:
\$5.00 per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property; cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.05 (or less) per ADS	Any cash distribution to registered ADS holders
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs \$0.05 (or less) per ADSs per calendar year (if the depository has not collected any cash distribution fee during that year)	Distribution of securities distributed to holders of deposited securities which are distributed by the depository to registered ADS holders Depository services
Expenses of the depository	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); converting foreign currency to U.S. dollars
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	As necessary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us annually for our expenses incurred in connection with investor relationship programs and any other program related to our ADS facility and the travel expense of our key personnel in connection with such programs. The depositary has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors. We recognize the reimbursable amounts in other income on our consolidated statements of operations on a straight-line basis over the contract term with the depositary. For the year ended December 31, 2015, we received \$0.2 million from the depositary as reimbursement for our expenses incurred.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

The following "Use of Proceeds" information relates to the registration statement on Form F-1 (File number: 333-146825) filed by us in connection with our initial public offering. The registration statement was declared effective by the SEC on November 6, 2007. We received net proceeds of approximately \$187.0 million from our initial public offering.

As of December 31, 2015, the net proceeds from our initial public offering have been used up as follows:

- approximately \$122.4 million for the purchase of digital displays and other equipment and the construction of gas station media platforms;
- approximately \$24.8 million for share repurchases; and
- approximately \$10.1 million for the purchase of long-term investments.
- approximately \$29.7 million for business acquisition and the purchase of intangible assets.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, due to the material weakness described below, as of December 31, 2015, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2015 using the criteria set forth in the report "Internal Control — Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The following material weakness in internal control over financial reporting has been identified as of December 31, 2015. The material weakness was related to the weak operating effectiveness and lack of monitoring of controls over financial reporting due to inadequate resources or resources with insufficient experience or training in our financial reporting and internal control team.

Because of the material weakness described above, our management has concluded that we had not maintain effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of AirMedia Group Inc.

We have audited AirMedia Group Inc. (the "Company"), its subsidiaries, its variable interest entity ("VIEs") and its VIEs' subsidiaries (collectively, the "Group") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: the weak operating effectiveness and lack of monitoring of controls over financial reporting due to inadequate resources or resources with insufficient experience or training in our financial reporting and internal control team. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Group and this report does not affect our report on such financial statements and financial statement schedule.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Group has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2015, of the Group and our report dated May 16, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

May 16, 2016

Changes in Internal Control over Financial Reporting

In preparing our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting as of December 31, 2015. As defined in standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified was related to the weak operating effectiveness and lack of monitoring of controls over financial reporting due to inadequate resources or resources with insufficient experience or training in our financial reporting and internal control team.

To remedy our identified material weakness, significant deficiency and other control deficiencies in connection with preparation of our consolidated financial statements, we plan to adopt several measures to improve our internal control over financial reporting. For example, during the reporting period, we obtained support from an external audit firm with experienced staff to assist us in the preparation of the financial statements for the year ended December 31, 2015. The audit firm is well-known in China and many staff hold the AICPA qualification with a solid understanding of U.S. GAAP. In order to meet the requirements of internal audit, we outsourced this function department to a professional consulting company with related industry experience and it delivered the work on time.

Other than as described above, no changes in our internal controls over financial reporting occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that each of Songzuo Xiang and Conor Chia-hung Yang, members of our audit committee, is an audit committee financial expert. Each of Songzuo Xiang and Conor Chia-hung Yang is an independent director as defined by the rules and regulations of the NASDAQ Stock Market LLC and under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief operating officer, chief technology officer, presidents, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (No. 333-146825), as amended, initially filed on October 19, 2007.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our principal external auditors, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	Fiscal Year Ended December 31,	
	2014	2015
Audit Fees	\$ 1,260,980	\$ 1,336,388
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	147,786	38,380
TOTAL	\$ 1,408,766	\$ 1,374,768

"Audit Fees" consisted of the aggregate fees billed for professional services rendered for the audit of our annual financial statements or quarterly review services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

"Audit Related Fees" consisted of the aggregate fees billed for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our regulatory filings and were not otherwise included in Audit Fees.

"Tax Fees" consisted of the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. Included in such Tax Fees were fees for preparation of our tax returns and consultancy and advice on other tax planning matters.

"All Other Fees" consisted of the aggregate fees billed for products and services provided and not otherwise included in Audit Fees, Audit Related Fees or Tax Fees.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP, including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We have not asked for, nor have we been granted, an exemption from the applicable listing standards for our audit committee.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

The NASDAQ Stock Market rules require each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year end. They also require each issuer to seek shareholder approval for any establishment of or material amendment to the issuer's equity compensation plans, including any amendment effecting a repricing of outstanding options or increasing the amount of shares authorized under such plans. However, the rules permit foreign private issuers like us to follow "home country practice" in certain corporate governance matters.

Maples and Calder, our Cayman Islands counsel, has provided a letter to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to hold annual shareholder meetings. We held annual meetings in 2013. No annual meeting was held in 2012, 2014 and 2015. We may hold additional annual shareholder meetings in the future if there are significant issues that require shareholder approval.

Maples and Calder has also provided letters to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to seek shareholder approval for the establishment of or any material amendments to our equity compensation plans. In 2008, we followed home country practice with respect to our 2007 Option Plan by amending it to permit repricings of options without seeking shareholder approval. In 2011, we followed home country practice with respect to our 2011 Option Plan by establishing it without seeking shareholder approval.

We have relied on and intend to continue to rely on the above home country practices under Cayman Islands law. Other than the above, we have followed and intend to continue to follow the applicable corporate governance standards under the rules and regulations of the NASDAQ Stock Market.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The full text of our audited consolidated financial statements begins on page F-2 of this annual report.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1	Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 99.3 to Form 6-K (File No. 001-33765) filed on December 10, 2009)
1.2	Amendment to Amended and Restated Memorandum and Articles of Association approved by the annual general shareholders meeting on July 18, 2013 (incorporated by reference to Exhibit 99.2 to Form 6-K (File No. 001-33765) filed on June 27, 2013)
2.1	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
2.2	Form of Deposit Agreement among the Company, the depository and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
2.3	Amended and Restated Shareholders' Agreement originally dated as of June 7, 2007, as amended and restated on September 27, 2007, among the Company and Shareholders (incorporated by reference to Exhibit 4.4 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.1	Amended and Restated 2007 Share Incentive Plan (incorporated by reference to Exhibit 99.2 to Form 6-K filed on December 10, 2009)
4.2	2011 Share Incentive Plan (incorporated by reference to Exhibit 4.49 to Annual Report on Form 20-F filed on April 30, 2012)
4.3	2012 Share Incentive Plan. (incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-8 (File No. 333-187442) filed on March 22, 2013)
4.4	Form of Employment Agreement between the Company and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.5	Form of Employment Agreement between the Company and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.6	Investment Framework Agreement dated October 18, 2005, as amended on September 27, 2007, among Man Guo, Qing Xu and CDH China Management Company Limited (incorporated by reference to Exhibit 10.4 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.7	English Translation of Business Cooperation Agreement dated June 14, 2007 between Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) and AirTV United Media & Culture Co., Ltd. (incorporated by reference to Exhibit 10.9 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.8	English Translation of Amended Power of Attorneys dated November 28, 2008 from each of the shareholders of Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.11 to Annual Report on Form 20-F filed on April 28, 2009)

Exhibit No.	Description
4.9	English Translation of Amended and Restated Technology Development Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.12 to Registration Statement on Form F-1 (File No. 333- 146825), as amended, initially filed on October 19, 2007)
4.10	English Translation of Supplementary Agreement dated November 30, 2007 to the Amended and Restated Technology Development Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.1 to Annual Report on Form 20-F filed on April 30, 2008)
4.11	English Translation of Amended and Restated Technology Support and Service Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.13 to Registration Statement on Form F-1 (File No. 333- 146825), as amended, initially filed on October 19, 2007)
4.12	English Translation of Supplementary Agreement dated November 30, 2007 to the Amended and Restated Technology Support and Service Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.2 to Annual Report on Form 20-F filed on April 30, 2008)
4.13	English Translation of Amended and Restated Equity Pledge Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) and the shareholders of Beijing Shengshi Lianhe Advertising Co., Ltd. (incorporated by reference to Exhibit 10.14 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.14	English Translation of Supplementary Agreement dated November 28, 2008 to the Amended and Restated Equity Pledge Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) and the shareholders of Beijing Shengshi Lianhe Advertising Co., Ltd. (incorporated by reference to Exhibit 4.17 to Annual Report on Form 20-F filed on April 28, 2009)
4.15	English Translation of Amended and Restated Call Option Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) and the shareholders of Beijing Shengshi Lianhe Advertising Co., Ltd. (incorporated by reference to Exhibit 10.15 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.16	English Translation of Supplementary Agreement dated November 28, 2008 to the Amended and Restated Call Option Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.) and the shareholders of Beijing Shengshi Lianhe Advertising Co., Ltd. (incorporated by reference to Exhibit 4.19 to Annual Report on Form 20-F filed on April 28, 2009)
4.17	English Translation of Amended Power of Attorneys dated November 28, 2008 from the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.32 to Annual Report on Form 20-F filed on April 28, 2009)

Exhibit No.	Description
4.18	English Translation of Technology Development Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.22 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.19	English Translation of Supplementary Agreement dated November 30, 2007 to the Amended and Restated Technology Development Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.5 to Annual Report on Form 20-F filed on April 30, 2008)
4.20	English Translation of Technology Support and Service Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.23 to Registration Statement on Form F-1 (File No. 333- 146825), as amended, initially filed on October 19, 2007)
4.21	English Translation of Supplementary Agreement dated November 30, 2007 to the Amended and Restated Technology Support and Service Agreement dated June 14, 2007 between AirMedia Technology (Beijing) Co., Ltd. and Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.6 to Annual Report on Form 20-F filed on April 30, 2008)
4.22	English Translation of Equity Pledge Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.24 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.23	English Translation of Supplementary Agreement dated November 28, 2008 to the Equity Pledge Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.38 to Annual Report on Form 20-F filed on April 28, 2009)
4.24	English Translation of Call Option Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 10.25 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
4.25	English Translation of Supplementary Agreement dated November 28, 2008 to the Call Option Agreement dated June 14, 2007 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.40 to Annual Report on Form 20-F filed on April 28, 2009)
4.26	English Translation of Supplementary Agreement No. 2 to Call Option Agreement dated May 27, 2010 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.45 to Annual Report on Form 20-F filed on May 28, 2010)

Exhibit No.	Description
4.27	English Translation of Supplementary Agreement dated October 31, 2008 among AirMedia Technology (Beijing) Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.), supplementing the original Loan Agreement dated January 1, 2007 (incorporated by reference to Exhibit 4.41 to Annual Report on Form 20-F filed on April 28, 2009)
4.28	English Translation of Supplementary Agreement No. 2 to the Equity Pledge Agreement dated May 27, 2010 among AirMedia Technology (Beijing) Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. and the shareholders of Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) (incorporated by reference to Exhibit 4.46 to Annual Report on Form 20-F filed on May 28, 2010)
4.29	English Translation of Power of Attorneys dated April 1, 2008 from each of the shareholders of Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.42 to Annual Report on Form 20-F filed on April 28, 2009)
4.30	English Translation of Technology Development Agreement dated April 1, 2008 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.43 to Annual Report on Form 20-F filed on April 28, 2009)
4.31	English Translation of Technology Support and Service Agreement dated April 1, 2008 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.44 to Annual Report on Form 20-F filed on April 28, 2009)
4.32	English Translation of Supplementary Agreement dated June 25, 2008 to the Technology Support and Service Agreement dated April 1, 2008 between AirMedia Technology (Beijing) Co., Ltd. and Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.45 to Annual Report on Form 20-F filed on April 28, 2009)
4.33	English Translation of Equity Pledge Agreement dated April 1, 2008 among AirMedia Technology (Beijing) Co., Ltd., Beijing Yuehang Digital Media Advertising Co., Ltd. and the shareholders of Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.46 to Annual Report on Form 20-F filed on April 28, 2009)
4.34	English Translation of Call Option Agreement dated April 1, 2008 among AirMedia Technology (Beijing) Co., Ltd., Beijing Yuehang Digital Media Advertising Co., Ltd. and the shareholders of Beijing Yuehang Digital Media Advertising Co., Ltd. (incorporated by reference to Exhibit 4.47 to Annual Report on Form 20-F filed on April 28, 2009)
4.35	English summary of Investment Agreement, dated May 12, 2013, by and among Elec-Tech International Co., Ltd., Beijing AirMedia UC Advertising Co., Ltd. (now known as Beijing AirMedia Jiaming Advertising Co., Ltd.) and Beijing Zhongshi Aoyou Advertising Co., Ltd. (incorporated by reference to Exhibit 4.50 to Annual Report on Form 20-F filed on April 25, 2014)
4.36	English summary of Cooperation Agreement for the Establishment of Advertising Company, dated May 2013, by and between Beijing Shengshi Lianhe Advertising Co., Ltd. (now known as Beijing AirMedia Shengshi Advertising Co., Ltd.), and Guangzhou Daozheng Advertising Co., Ltd. (incorporated by reference to Exhibit 4.51 to Annual Report on Form 20-F filed on April 25, 2014)
4.37	English summary of Equity Swap Agreement, dated September 29, 2013, by and between Beijing N-S Digital TV Co., Ltd. and AirMedia Group Co., Ltd. (incorporated by reference to Exhibit 4.52 to Annual Report on Form 20-F filed on April 25, 2014)
4.38	Agreement and Plan of Merger, dated as of September 29, 2015, by and among the Registrant, AirMedia Holdings Ltd. and AirMedia Merger Company Limited (incorporated herein by reference to Exhibit 99.2 of our current report on Form 6-K filed with the Commission on September 30, 2015).

Exhibit No.	Description
4.39*	English translation of Equity Interest Transfer Agreement in respect of AirMedia Group Co., Ltd., dated June 15, 2015, by and among AirMedia Group Inc., AirMedia Technology (Beijing) Co., Ltd, Beijing AirMedia Shengshi Advertising Co., Ltd., Man Guo and Beijing Longde Wenchuang Investment Fund Management Company.
4.40*	English translation of Supplement Agreement of Equity Transfer, dated November 30, 2015, by and among AirMedia Group Inc., AirMedia Technology (Beijing) Co., Ltd, Beijing AirMedia Shengshi Advertising Co., Ltd., Man Guo and Beijing Longde Wenchuang Investment Fund Management Company.
4.41*	English translation of Exclusive Technology Consulting and Service Agreement, dated June 5, 2015, by and between AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd.
4.42*	English translation of Technology Development Agreement, dated June 5, 2015, by and between AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd.
4.43*	English translation of Technology Support and Service Agreement, dated June 5, 2015, by and between AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd.
4.44*	English translation of Loan Agreements, dated June 5, 2015, by and between AirMedia Technology (Beijing) Co., Ltd. and each shareholder of AirMedia Online Network Technology Co., Ltd. (except Yi Zhang)
4.45*	English translation of Exclusive Call Option Agreement, dated June 5, 2015, by and between AirMedia Technology (Beijing) Co., Ltd., AirMedia Online Network Technology Co., Ltd. and each shareholder of AirMedia Online Network Technology Co., Ltd. (except Yi Zhang)
4.46*	English translation of Power of Attorney, dated June 5, 2015, by each shareholder of AirMedia Online Network Technology Co., Ltd. (except Yi Zhang)
4.47*	English translation of Equity Pledge Agreements, dated June 5, 2015, by and among AirMedia Technology (Beijing) Co., Ltd., AirMedia Online Network Technology Co., Ltd. and each shareholder of AirMedia Online Network Technology Co., Ltd. (except Yi Zhang)
4.48*	English translation of Supplement Agreement in respect of the Related Agreement Arrangement of Beijing AirMedia Shengshi Advertising Co., Ltd., dated January 21, 2016, by and among AirMedia Technology (Beijing) Co., Ltd., Man Guo and Qing Xu
4.49*	English translation of Supplement Agreement in respect of the Related Agreement Arrangement of Beijing AirMedia Jiaming Advertising Co., Ltd., dated January 21, 2016, by and among AirMedia Technology (Beijing) Co., Ltd., Man Guo and Qing Xu
4.50*	English translation of Supplement Agreement in respect of the Related Agreement Arrangement of AirMedia Online Network Technology Co., Ltd., dated March 15, 2016, by and among AirMedia Technology (Beijing) Co., Ltd., Man Guo, Qing Xu and Tao Hong
8.1*	List of the Registrant's subsidiaries

Exhibit No.	Description
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to Registration Statement on Form F-1 (File No. 333-146825), as amended, initially filed on October 19, 2007)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certifications by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certifications by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2*	Consent of Commerce & Finance Law Offices
15.3*	Consent of Maples and Calder
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished with this annual report on Form 20-F

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: May 16, 2016

AIRMEDIA GROUP INC.

/s/ Herman Man Guo

Herman Man Guo
Chairman and Chief Executive Officer

AIRMEDIA GROUP INC.

Report of Independent Registered Public Accounting Firm
and Consolidated Financial Statements
For the years ended December 31, 2013, 2014 and 2015

AIRMEDIA GROUP INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AIRMEDIA GROUP INC.

We have audited the accompanying consolidated balance sheets of AirMedia Group Inc. (the “Company”), its subsidiaries, its variable interest entities (the “VIEs”) and its VIEs’ subsidiaries (collectively the “Group”) as of December 31, 2014 and 2015 and the related consolidated statements of operations, comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015 and related financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group’s internal control over financial reporting as of December 31, 2015, based on the criteria established *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 16, 2016 expressed an adverse opinion on the Group’s internal control over financial reporting because of a material weakness.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People’s Republic of China
May 16, 2016

AIRMEDIA GROUP INC.

CONSOLIDATED BALANCE SHEETS
(In U.S. dollars in thousands, except share related data or otherwise noted)

	As of December 31,	
	2014	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,117	\$ 86,960
Restricted cash	3,223	-
Short-term investment	17,729	3,705
Accounts receivable, net of allowance for doubtful accounts of \$4,458 and \$1,727 as of December 31, 2014 and 2015, respectively	23,534	9,457
Notes receivable	762	-
Prepaid concession fees	13,012	8,114
Consideration receivable	-	200,685
Other current assets	7,319	30,904
Amount due from related parties	953	2,752
Deferred tax assets - current	484	41
Assets held for sale	310	-
Current assets of discontinued operations	122,433	-
Total current assets	249,876	342,618
Property and equipment, net	35,381	48,339
Prepaid equipment costs	45,176	27,708
Long-term investments	5,962	89,637
Long-term deposits	8,511	4,879
Deferred tax assets - non-current	10,251	4,483
Acquired intangible assets, net	521	2,325
Other non-current assets	6,128	11,612
Assets of discontinued operation, non-current	33,791	-
TOTAL ASSETS	395,597	531,601
Liabilities		
Current liabilities:		
Short-term loan (including short-term loan of the consolidated variable interest entities without recourse to AirMedia Group Inc. nil and nil as of December 31, 2014 and 2015, respectively)	3,000	-
Accounts payable (including accounts payable of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$33,302 and \$33,818 as of December 31, 2014 and 2015, respectively)	39,804	36,371
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$2,994 and \$7,554 as of December 31, 2014 and 2015 respectively)	4,863	10,744
Deferred revenue (including deferred revenue of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$3,998 and \$1,355 as of December 31, 2014 and 2015, respectively)	4,004	1,361
Income tax payable (including income tax payable of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$408 and \$43,081 as of December 31, 2014 and 2015, respectively)	967	43,567
Amounts due to related parties (including amounts due to related parties of the consolidated variable interest entities without recourse to AirMedia Group Inc. nil and \$15,389 as of December 31, 2014 and 2015, respectively)	-	15,389
Current liabilities of discontinued operations	72,628	-
Total current liabilities	125,266	107,432
Non-current liabilities:		
Other non-current liabilities (including other non-current liabilities of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$1,257 and \$1,205 as of December 31, 2014 and 2015, respectively)	1,257	1,205
Deferred tax liabilities - non-current (including deferred tax liabilities - non-current of the consolidated variable interest entities without recourse to AirMedia Group Inc. \$130 and \$91 as of December 31, 2014 and 2015, respectively)	130	91
Provision for earnout commitment (including provision for earnout commitment of the consolidated variable interest entities without recourse to AirMedia Group Inc. nil and \$25,240 as of December 31, 2014 and 2015, respectively)	-	25,240
Liabilities of discontinued operations, non-current	72	-
Total liabilities	126,725	133,968

Commitments and contingencies (Note 26 and Note 27)

AIRMEDIA GROUP INC.

CONSOLIDATED BALANCE SHEETS - CONTINUED
(In U.S. dollars in thousands, except share related data or otherwise noted)

	As of December 31,	
	2014	2015
Equity		
Ordinary shares (\$0.001 par value; 900,000,000 shares authorized in 2014 and 2015; 127,662,057 shares and 127,662,057 shares issued as of December 31, 2014 and 2015, respectively; 119,942,413 shares and 124,395,645 shares outstanding as of December 31, 2014 and 2015, respectively)	128	128
Additional paid-in capital	323,167	317,414
Treasury stock (7,719,644 and 3,266,412 shares as of December 31, 2014 and 2015, respectively)	(9,236)	(3,778)
(Accumulated deficit) retained earnings	(99,138)	49,876
Accumulated other comprehensive income	33,815	22,928
Total AirMedia Group Inc.'s shareholders' equity	248,736	386,568
Non-controlling interests	20,136	11,065
Total equity	268,872	397,633
TOTAL LIABILITIES AND EQUITY	\$ 395,597	\$ 531,601

The accompanying notes are an integral part of these consolidated financial statements.

AIRMEDIA GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars in thousands, except share related data or otherwise noted)

	For the years ended December 31,		
	2013	2014	2015
Revenues	\$ 92,764	\$ 75,947	\$ 50,866
Business tax and other sales tax	(1,511)	(1,254)	(633)
Net revenues	91,253	74,693	50,233
Less: Cost of revenues	97,741	96,608	89,577
Gross loss	(6,488)	(21,915)	(39,344)
Operating expenses:			
Selling and marketing (including share-based compensation of nil, \$144 and nil in 2013, 2014 and 2015, respectively)	9,202	12,916	9,611
General and administrative (including share-based compensation of \$943, \$1,137 and \$567 in 2013, 2014 and 2015, respectively)	15,104	20,620	27,102
Total operating expenses	24,306	33,536	36,713
Loss from operations	(30,794)	(55,451)	(76,057)
Interest (expense) income, net	(224)	1,058	472
Other income, net	695	979	1,383
Loss from continuing operations before income taxes and (loss) income on equity method investments	(30,323)	(53,414)	(74,202)
Income tax (benefits) expenses from continuing operations	(537)	(1,512)	6,421
Net loss before (loss) income on equity method investments	(29,786)	(51,902)	(80,623)
(Loss) income on equity method investments	(69)	(212)	2,352
Net loss from continuing operations	(29,855)	(52,114)	(78,271)
Less: Net loss from continuing operations attributable to non-controlling interests	894	6,808	7,620
Net loss from continuing operations attributable to AirMedia Group Inc.'s shareholders	(28,961)	(45,306)	(70,651)
Discontinued operation:			
Net income from discontinued operations (including gain of \$244,164 upon the disposal in the year ended December 31, 2015)	17,159	22,230	272,879
Income tax benefits (expenses) from discontinued operations	1,176	(1,942)	(51,696)
Net income from discontinued operations, net of tax	18,335	20,288	221,183
Less: Net income from discontinued operations attributable to non-controlling interests	-	(677)	(885)
Net income from discontinued operations attributable to AirMedia Group Inc.'s shareholders	18,335	19,611	220,298
Net (loss) income	(11,520)	(31,826)	142,912
Net (loss) income attributable to AirMedia Group Inc.'s shareholders	\$ (10,626)	\$ (25,695)	\$ 149,647
Net (loss) income per ordinary share			
- basic	\$ (0.09)	\$ (0.22)	\$ 1.23
- diluted	(0.09)	(0.22)	1.16
Net (loss) income per ordinary shares from continuing operations			
- basic	(0.24)	(0.38)	(0.58)
- diluted	(0.24)	(0.38)	(0.58)
Net income per ordinary shares from discontinued operations			
- basic	0.15	0.16	1.81
- diluted	0.15	0.16	1.70
Weighted average shares used in calculating net (loss) income per ordinary share			
Basic			
Continuing operations	120,386,635	119,304,773	121,740,194
Discontinued operations	120,386,635	119,304,773	121,740,194
Diluted			
Continuing operations	120,386,635	119,304,773	121,740,194
Discontinued operations	120,391,294	119,924,927	129,372,158

The accompanying notes are an integral part of these consolidated financial statements.

AIRMEDIA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In U.S. dollars in thousands)

	For the years ended December 31,		
	2013	2014	2015
Net (loss) income	\$ (11,520)	\$ (31,826)	\$ 142,912
Other comprehensive income (loss), net of tax of nil:			
Change in cumulative foreign currency translation adjustment	7,582	(6,874)	(11,478)
Comprehensive (loss) income	(3,938)	(38,700)	131,434
Less: comprehensive loss attributable to non-controlling interest	(593)	(6,591)	(7,326)
Comprehensive (loss) income attributable to AirMedia Group Inc.'s shareholders	\$ (3,345)	\$ (32,109)	\$ 138,760

The accompanying notes are an integral part of these consolidated financial statements.

AIRMEDIA GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In U.S. dollars in thousands, except share data or otherwise noted)

	Ordinary shares		Additional paid-in capital	Treasury stock	(Accumulated deficit) retained earnings	Accumulated other comprehensive income	Total AirMedia Group Inc.'s shareholders' equity	Non- controlling interests	Total equity
	Shares	Amount							
Balance as of January 1, 2013	122,112,485	\$ 128	\$ 278,652	\$ (7,035)	\$ (62,817)	\$ 32,948	\$ 241,876	\$ (2,441)	\$ 239,435
Ordinary shares issued for share based compensation	18,400	-	-	21	-	-	21	-	21
Share repurchase as treasury stock	(2,996,750)	-	-	(2,846)	-	-	(2,846)	-	(2,846)
Share-based compensation	-	-	1,251	-	-	-	1,251	-	1,251
Foreign currency translation adjustment	-	-	-	-	-	7,281	7,281	301	7,582
Net loss	-	-	-	-	(10,626)	-	(10,626)	(894)	(11,520)
Capital contribution from non-controlling interests	-	-	39,825	-	-	-	39,825	20,384	60,209
Acquisition of non-controlling interests	-	-	(5,816)	-	-	-	(5,816)	3,027	(2,789)
Balance as of December 31, 2013	119,134,135	\$ 128	\$ 313,912	\$ (9,860)	\$ (73,443)	\$ 40,229	\$ 270,966	\$ 20,377	\$ 291,343
Ordinary shares issued for share based compensation	808,278	-	-	624	-	-	624	-	624
Share-based compensation	-	-	1,359	-	-	-	1,359	-	1,359
Foreign currency translation adjustment	-	-	-	-	-	(6,414)	(6,414)	(460)	(6,874)
Net loss	-	-	-	-	(25,695)	-	(25,695)	(6,131)	(31,826)
Disposal of equity interests of AM Film and AirMedia Lianhe to non-controlling interest	-	-	1,433	-	-	-	1,433	1,655	3,088
Profit distribution to non-controlling interest	-	-	-	-	-	-	-	(83)	(83)
Capital contribution from non-controlling interests	-	-	6,463	-	-	-	6,463	4,778	11,241
Balance as of December 31, 2014	119,942,413	\$ 128	\$ 323,167	\$ (9,236)	\$ (99,138)	\$ 33,815	\$ 248,736	\$ 20,136	\$ 268,872
Ordinary shares issued for share based compensation	4,453,232	-	-	5,458	(633)	-	4,825	-	4,825
Share-based compensation	-	-	598	-	-	-	598	-	598
Foreign currency translation adjustment	-	-	-	-	-	(10,887)	(10,887)	(591)	(11,478)
Net income (loss)	-	-	-	-	149,647	-	149,647	(6,735)	142,912
Profit distribution to non-controlling interests	-	-	-	-	-	-	-	(891)	(891)
Capital contribution from non-controlling interests	-	-	271	-	-	-	271	1,042	1,313
Capital contribution to Guangzhou Meizheng	-	-	(459)	-	-	-	(459)	459	-
Acquisition of non-controlling interests	-	-	(6,163)	-	-	-	(6,163)	(2,355)	(8,518)
Balance as of December 31, 2015	124,395,645	\$ 128	\$ 317,414	\$ (3,778)	\$ 49,876	\$ 22,928	\$ 386,568	\$ 11,065	\$ 397,633

The accompanying notes are an integral part of these consolidated financial statements.

AIRMEDIA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars in thousands)

	For the years ended December 31,		
	2013	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$ (11,520)	\$ (31,826)	\$ 142,912
Less: Net income from discontinued operations	18,335	20,288	221,183
Net loss from continuing operations	(29,855)	(52,114)	(78,271)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Allowance for doubtful accounts	1,049	3,212	(2,661)
Depreciation and amortization	11,813	6,294	5,771
Share-based compensation	943	1,281	567
Loss (income) on equity method investments	69	212	(2,352)
Loss on disposal of property and equipment	296	(11)	(129)
Gain on sale/maturity of short-term investments	(1,414)	(643)	(347)
Changes in assets and liabilities			
Accounts receivable	(6,475)	9,371	13,742
Notes receivable	(646)	(116)	762
Prepaid concession fees	(3,388)	(997)	7,302
Other current assets	4,115	2,224	(16,045)
Long-term deposits	868	(108)	3,632
Other non-current assets	(661)	(5,095)	2,778
Amounts due from related parties	-	(953)	(4,873)
Accounts payable	2,977	(1,723)	(8,591)
Accrued expenses and other current liabilities	168	(466)	(6,762)
Deferred revenue	621	(1,905)	(2,643)
Amounts due to related parties	-	-	12,803
Deferred tax assets (liabilities), net	(4,394)	(2,288)	4,681
Income tax payable	318	(68)	42,600
Other noncurrent liabilities	-	1,264	-
Net cash used in continuing operations	(23,596)	(42,629)	(28,036)
Net cash provided by (used in) discontinued operations	24,133	40,815	(41,026)
Net cash provided by (used in) operating activities	537	(1,814)	(69,062)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(803)	(4,306)	(10,389)
Prepaid equipment costs	(56,996)	(11,224)	-
Proceeds from disposal of property and equipment	30	18	978
Net amount received upon settlement of short-term investment	111	26,073	14,206
Dividend received from equity method investee	686	242	-
Restricted cash	-	(3,223)	3,223
Acquisition of Guangzhou Xinyu (net of cash acquired of \$nil)	-	-	(4,808)
Acquisition of AM Jiaming (net of cash acquired of \$325)	-	-	325
Disposal of controlling interest in a former subsidiary (net of cash disposed of \$14)	-	-	(14)
Loan to third parties	-	-	(5,572)
Purchase of long-term investment	(1,645)	(1,629)	(3,033)
Net cash (used in) provided by continuing operations	(58,617)	5,951	(5,084)
Net cash (used in) provided by discontinued operations	(11,849)	(12,108)	93,226
Net cash (used in) provided by investing activities	(70,466)	(6,157)	88,142
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash paid for treasury stock	(2,846)	-	-
Cash received from short-term loan	-	3,000	-
Cash payment for a short-term loan	-	-	(3,000)
Distribution of dividends to noncontrolling interests	(675)	-	(221)
Capital contribution from non-controlling interests	59,438	11,241	-
Proceeds from disposal of equity interests of AirMedia Lianhe	-	1,958	536
Proceeds from options exercised	21	624	4,826
Net cash provided by continuing operations	55,938	16,823	2,141
Net cash used in discontinued operations	(1,627)	-	-

Net cash provided by financing activities	54,311	16,823	2,141
Effect of exchange rate changes	1,636	(1,067)	(1,698)
Net (decrease) increase in cash	(13,982)	7,785	19,523
Cash and cash equivalents, at beginning of year	73,634	59,652	67,437
Cash and cash equivalents, at end of year	\$ 59,652	\$ 67,437	\$ 86,960

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Income tax paid	\$ 1,340	\$ 1,812	\$ 957
Interests paid for short-term loan	\$ -	\$ 75	\$ 10
Fair value of property, equipment and other assets acquired in exchange of advertising services rendered and subsidiary's equity transferred	\$ 50,305	\$ 11,083	\$ 304

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

Payable for purchase of property and equipment	\$ 3,561	\$ 8,526	\$ 15,925
Dividend payable to non-controlling interests	\$ -	\$ 73	\$ -
Receivable for disposal of equity interests of AM Film and AirMedia Lianhe	\$ -	\$ 1,118	\$ 233
Receivable for disposal of 51% equity interest in AM Jiaming	\$ -	\$ 53	\$ -
Consideration receivable	\$ -	\$ -	\$ 200,685

The accompanying notes are an integral part of these consolidated financial statements.

AIRMEDIA GROUP INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Introduction of the Group

AirMedia Group Inc. (“AirMedia” or the “Company”) was incorporated in the Cayman Islands on April 12, 2007.

AirMedia, its subsidiaries, its variable interest entities (“VIEs”) and VIEs’ subsidiaries (collectively the “Group”) operate its out-of-home advertising network, primarily air travel advertising network, in the People’s Republic of China (the “PRC”).

In June 2015, the Company, AM Technology, AirMedia Shengshi, which is the Company’s VIE in China as well as the controlling shareholder of AirMedia Group Co., Ltd. (“AM Advertising”), and Mr. Herman Guo, who is registered shareholder of AM Advertising under PRC law entered into a definitive agreement (“Equity Interest Transfer Agreement”) with Beijing Longde Wenchuang Fund Management Co., Ltd. (“Longde Wenchuang” or the “Buyer”) to sell 75% equity interest of AM Advertising for a consideration of RMB2.1 billion (equivalent to \$324,183) in cash. As part of the transaction, the Company effected an internal business reorganization and transferred all its media business in airports (excluding digital TV screens in airports and TV-attached digital frames) and all billboard and LED media business outside of airports (excluding gas station media network and digital TV screens on airplanes) to AM Advertising to form the target business to be sold (the “Target Business”) and transferred its other business out of AM Advertising. To effectuate the sale, the Company removed the VIE structure with respect to AM Advertising. The change in the equity ownership of AM Advertising was registered with the local branch of the State Administration for Industry and Commerce, or the SAIC, in December 2015. The Company now holds 25% equity interest in AM Advertising and has ceased to consolidate the results of AM Advertising since December 2015.

In November, Longde Wenchuang transferred 46.43% equity interest of AM Advertising to Beijing Culture Center Construction Development Fund (LLP) (“Culture Center Fund”, together with Longde Wenchuang, the “Buyers”). Longde Wenchuang retained 28.57% equity interest of AM Advertising.

This disposal represents a strategic shift and has a major effect on the Group’s results of operations. Accordingly, assets and liabilities, revenues and expenses, and cash flows related to the disposed business lines have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated balance sheets as of December 31, 2014, the consolidated statements of operations and the consolidated statements of cash flows for the years ended December 31, 2013 and 2014 are adjusted retrospectively to reflect this change.

On June 19, 2015, the Company’s board of directors formed a special committee consisting of three independent members in order to consider a going private transaction submitted by Mr. Herman Man Guo to acquire the Company for \$3.00 in cash per share (or \$6.00 in cash per ADS) other than any ordinary shares or ADSs of the Company beneficially held by Mr. Herman Man Guo, his affiliates or other management shareholders who may choose to roll over their Shares in connection with the proposed acquisition (the “Proposal”).

Pursuant to the Proposal, on September 28, 2015, the Company, together with AirMedia Holdings Ltd. (“Parent”) and AirMedia Merger Company Limited (“Merger Sub”), executed and delivered the merger agreement and the applicable parties executed the ancillary documents relating thereto as to which they respectively are a party. The merger is subject to customary closing conditions including the approval of the merger agreement by an affirmative vote of holders of shares representing at least two-thirds of the voting power of the shares present and voting in person or by proxy at a meeting of our shareholders.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES – continued

Introduction of the Group - continued

As of December 31, 2015, details of the Company’s subsidiaries, VIEs and VIEs’ subsidiaries are as follows:

Name	Date of incorporation/ acquisition	Place of incorporation	Percentage of legal ownership
Intermediate Holding Company:			
Broad Cosmos Enterprises Ltd.	June 26, 2006	British Virgin Islands (“BVI”)	100%
AirMedia International Limited (“AM International”)	July 14, 2007	BVI	100%
AirMedia (China) Limited (“AM China”)	August 5, 2005	Hong Kong	100%
Subsidiaries:			
AirMedia Technology (Beijing) Co., Ltd. (“AM Technology”)	September 19, 2005	the PRC	100%
Shenzhen AirMedia Information Technology Co., Ltd. (“Shenzhen AM”)	June 6, 2006	the PRC	100%
Xi’an AirMedia Chuangyi Technology Co., Ltd. (“Xi’an AM”)	December 31, 2007	the PRC	100%
VIEs:			
Beijing AirMedia Shengshi Advertising Co., Ltd. (Formerly Beijing Shengshi Lianhe Advertising Co., Ltd.) (“AirMedia Shengshi”)	August 7, 2005	the PRC	N/A
Beijing AirMedia Jiaming Advertising Co., Ltd. (Formerly Beijing AirMedia UC Advertising Co., Ltd.) (“Jiaming Advertising”)	January 1, 2007	the PRC	N/A
Beijing Yuehang Digital Media Advertising Co., Ltd. (“AM Yuehang”)	January 16, 2008	the PRC	N/A
AirMedia Online Network Technology Co., Ltd. (“AM Online”)	April 30, 2015	the PRC	N/A

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Introduction of the Group - continued

Name	Date of incorporation/ acquisition	Place of incorporation	Percentage of legal ownership
VIEs' subsidiaries:			
Beijing AirMedia Film & TV Culture Co., Ltd. ("AM Film")	September 13, 2007	the PRC	N/A
Flying Dragon Media Advertising Co., Ltd. ("Flying Dragon")	August 1, 2008	the PRC	N/A
Wenzhou AirMedia Advertising Co., Ltd. ("AM Wenzhou")	October 17, 2008	the PRC	N/A
Hainan Jinhui Guangming Media Advertising Co., Ltd. ("Hainan Jinhui")	June 23, 2009	the PRC	N/A
Beijing Dongding Gongyi Advertising Co., Ltd. ("Dongding")	February 1, 2010	the PRC	N/A
Beijing GreatView Media Advertising Co., Ltd. (Formerly Beijing Weimei Shengjing Advertising Co., Ltd.) ("GreatView Media")	April 28, 2011	the PRC	N/A
Guangzhou Meizheng Advertising Co., Ltd. ("Guangzhou Meizheng")	May 17, 2013	the PRC	N/A
Beijing AirMedia Tianyi Information Technology Co., Ltd. ("AM Tianyi")	September 25, 2013	the PRC	N/A
Guangzhou Xinyu Advertising Co., Ltd. ("Guangzhou Xinyu")	February 2, 2015	the PRC	N/A
AirMedia Mobile Network Technology Co., Ltd. ("AM Mobile")	April 23, 2015	the PRC	N/A
Guangzhou Meizheng Information Technology Co., Ltd. ("Guangzhou Tech")	June 18, 2015	the PRC	N/A
AirMedia Henglong Mobile Network Technology Co., Ltd. ("AMHL Mobile")	April 27, 2015	the PRC	N/A
Beijing AirMedia Jiaming Film & TV Culture Co., Ltd. ("AM Jiaming")	December 31, 2015	the PRC	N/A

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

Chinese regulations currently limit foreign ownership of companies that provide advertising services, including out-of-home television advertising services. Since December 30, 2005, foreign investors have been permitted to own directly 100% interest in PRC advertising companies if the foreign investor has at least three years of direct operations of advertising business outside of the PRC.

One of the Company's subsidiary, AM China, the 100% shareholder of AM Technology, Shenzhen AM, and Xi'an AM, has been engaged in the advertising business in Hong Kong since September 2008. Since it has operated as an advertising business for more than three years, AM China and its subsidiaries may apply for the required licenses to provide advertising services in China.

The Group conducts substantially all of its activities through VIEs, i.e. AirMedia Shengshi, Jiaming Advertising, AM Yuehang and AM Online, and the VIEs' subsidiaries. The VIEs have entered into the following series of agreements with AM Technology:

- **Technology support and service agreement:** AM Technology provides exclusive technology support and consulting services to the VIEs and in return, the VIEs are required to pay AM Technology service fees. The VIEs pay to AM Technology annual service fees in the amount that guarantee that the VIEs can achieve, after deducting such service fees payable to AM Technology, a net cost-plus rate of no less than 0.5% in the case of AirMedia Shengshi, and Jiaming Advertising, or 1.0% in the case of AM Yuehang, which final rate should be determined by AM Technology. The "net cost-plus rate" refers to the operating profit as a percentage of total costs and expenses of a certain entity. The technology support and service fees for each given year payable by AM Online to AM Technology under AM Online's technology support and service agreement shall be determined by AM Online and AM Technology at the first month of such year taking into account several factors. Those factors include the credential of the team of AM Technology that provides services to AM Online, the number of service hours, the nature and value of the services provided by AM Technology, the extent to which AM Technology provides patent or other license to AM Online in its provision of technology support and service and the correlation between AM Online's results of operations and the technology support and service provided by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fee. The technology support and service agreements are effective for ten years and such term is automatically renewed upon its expiry unless either party informs the other party of its intention of no extension at least twenty days prior to the expiration of the agreements.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements- continued

- **Technology development agreement:** VIEs exclusively engaged AM Technology to provide technology development services. AM Technology owns the intellectual property rights developed in the performance of these agreements. Except for AM Online, the VIEs pay to AM Technology annual service fees in the amount that guarantee that the VIEs can achieve, after deducting such service fees payable to AM Technology, a net cost-plus rate of no less than 0.5% in the case of AirMedia Shengshi, and Jiaming Advertising, which final rate should be determined by AM Technology. It is at AM Technology's sole discretion that the rate and amount of fees ultimately charged the VIEs under these agreements are determined. The "net cost-plus rate" refers to the operating profit as a percentage of total costs and expenses of a certain entity. The technology development fees for each given year payable by AM Online to AM Technology under AM Online's technology development agreement shall be determined by AM Online and AM Technology at the first month of such year taking into account several factors. Those factors include the credential of the team of AM Technology that provides services to AM Online, the number of service hours, the nature and value of the services provided by AM Technology, the extent to which AM Technology provides patent or other license to AM Online in its provision of technology development service and the correlation between AM Online's results of operations and the technology development service provided by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fee. The technology development agreements are effective for ten years and such terms is automatically renewed upon its expiry unless either party informs the other party of its intention of no extension at least twenty days prior to the expiration of the agreements.
- **Exclusive Technology Consultation and Service Agreement:** AM online exclusively engages AM Technology to provide consultation services in relation to management, training, marketing and promotion. AM Online agrees to pay to AM Technology the amount of annual service fees as determined by AM Technology. In the event AM Technology finds it necessary to make subsequent adjustment to the amount of fees, AM Online shall negotiate in good faith with AM Technology to determine the new fees. The exclusive technology consultation and service agreement remains effective for ten years and such term may be reviewed by AM Technology's written confirmation prior to the expiration of the agreement term.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- **Call option agreement:** Under the call option agreements between AM Technology and the shareholders of AirMedia Shengshi, AM Yuehang and Jiaming Advertising, the shareholders of those VIEs irrevocably granted AM Technology or its designated third party an exclusive option to purchase from the VIEs' shareholders, to the extent permitted under PRC law, all the equity interests in the VIEs, as the case may be, for the minimum amount of consideration permitted by the applicable law without any other conditions. Under the call option agreements between AM Technology and the shareholders of AM Online, the shareholders of AM Online irrevocably granted AM Technology or its designated third party an exclusive option to purchase from the shareholders of AM Online, to the extent permitted under PRC law, all the equity interests in AM Online, as the case may be. To the extent the applicable PRC law does not require the valuation of the subject equity interests and does not otherwise restrict the purchase price for such equity interests, such purchase price shall equal the amount of actual payment made by the respective shareholders of AM Online with respect to the equity interests whether in the form of share capital injection or secondary purchase price. If and where the applicable PRC law requires the valuation of the subject equity interests or otherwise has restrictions on the purchase price for such equity interests, such purchase price shall equal the minimum amount of consideration permitted by the applicable law. In addition, under these agreements (except for the call option agreements between AM Technology and the shareholders of AM Online), AM Technology has undertaken to act as guarantor of VIEs in all operations-related contracts, agreements and transactions and commit to provide loans to support the business development needs of VIEs or if the VIEs suffer operating difficulties, provided that the relevant VIE's shareholders satisfy the terms and conditions in the call option agreements. Under PRC laws, to provide an effective guarantee, a guarantor needs to execute a specific written agreement with the beneficiary of the guarantee. As AM Technology has not entered into any written guarantee agreements with any third party beneficiaries to guarantee the VIEs' performance obligations to these third parties, none of these third parties can demand performance from AM Technology as a guarantor of the VIEs' performance obligations. The absence of a written guarantee agreement, however, does not affect our conclusion that we are the primary beneficiary of the VIEs and in turn should consolidate the financials of the VIEs. The term of each call option agreement is ten years and such terms can be renewed upon expiration at AM Technology's sole discretion.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In U.S. dollars in thousands, except share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- **Equity pledge agreement:** Under the equity pledge agreements between AM Technology and the shareholders of our VIEs other than AM Online, the shareholders of those VIEs pledged all of their equity interests, including the right to receive declared dividends, in those VIEs to AM Technology to guarantee those VIEs' performance of their obligations under the technology support and service agreement and the technology development agreement. Under the equity pledge agreements between AM Technology and the shareholders of AM Online, the shareholders of AM Online pledged all of their equity interests, including the right to receive declared dividends, in AM Online to AM Technology to guarantee the performance by AM Online of its obligations under its call option agreement and its exclusive technology consultation and service agreement. If the VIEs fail to perform their obligations set forth in the applicable agreements, AM Technology shall be entitled to exercise all the remedies and powers set forth in the provisions of the applicable equity pledge agreements. Those agreements remain effective for as long as the technology support and service agreements and technology development agreement are effective, or, in the case of AM Online, until two years after the term of the obligations under the call option agreement and exclusive technology consultation and service agreement.
- **Authorization letter:** Each shareholder of the VIEs has executed an authorization letter to authorize AM Technology to exercise certain of its rights, including voting rights, the rights to enter into legal documents and the rights to transfer any or all of its equity interest in the VIEs. The authorization letters by the shareholders of our VIEs other than AM Online will remain effective during the operating periods of the respective VIEs. Such authorization is effective for ten years and such term is renewed upon its expiry at AM Technology's sole discretion. The authorization letters by the shareholders of AM Online will remain effective for as long as the respective parties remain shareholders of AM Online unless terminated earlier by AM Technology or the call option agreement with respect to AM Online is terminated prior to its expiration.

Through the above contractual arrangements, AM Technology has obtained 100% of shareholders' voting interest in the VIEs, has the right to receive all dividends declared and paid by the VIEs and may receive substantially all of the net income of the VIEs through the technical support and service fees as determined by AM Technology at its sole discretion. Accordingly, we have consolidated the VIEs because we believe, through the contractual arrangements, (1) AM Technology could direct the activities of the VIEs that most significantly affect its economic performance and (2) AM Technology could receive substantially all of the benefits that could be potentially significant to the VIEs. Other than the contractual arrangements described above, because the management and certain employees of AM Technology also serve in the VIEs as management or employees, certain operating costs paid by AM Technology, such as payroll costs and office rental, were re-charged to the VIEs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

AM Technology also entered into loan agreements with each shareholder of AM Online, pursuant to which AM Technology permits to make loans in an aggregate amount of RMB 40 million to the shareholders of AM Online solely for the incorporation and capitalization of AM Online. The loan is interest free and the term of the loan is ten years and shall be automatically renewed on an annual basis unless AM Technology objects. AM Technology can require the shareholders to repay all or a portion of the loan before the maturity date with a 15 days prior written notice. Under such circumstances, AM Technology is entitled to, or designate a third party to, buy all or a portion of the shareholders' equity interests in AM Online on a pro rata basis based on the amount of the repaid principal of the loan.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure

The Group believes that the VIE arrangements are in compliance with PRC law and are legally enforceable. The shareholders of the VIEs are also shareholders of the Group and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Group's ability to enforce these contractual arrangements and if the shareholders of the VIEs were to reduce their interest in the Group, their interests may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so.

The Group's ability to control the VIEs also depends on the authorization letters that AM Technology has to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Group believes the rights granted by the authorization letters is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Group's PRC subsidiaries and affiliates;
- discontinue or restricting the Group's PRC subsidiaries' and affiliates' operations;
- impose conditions or requirements with which the Group or its PRC subsidiaries and affiliates may not be able to comply; or
- require the Group or its PRC subsidiaries and affiliates to restructure the relevant ownership structure or operations;

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs and its subsidiaries or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIEs. The Group does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Group, AM Technology, or the VIEs.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

Certain shareholders of VIEs are also beneficial owners or directors of the Company. In addition, certain beneficial owners and directors of the Company are also directors or officers of VIEs. Their interests as beneficial owners of VIEs may differ from the interests of the Company as a whole. The Company cannot be certain that if conflicts of interest arise, these parties will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest these parties may encounter in their capacity as beneficial owners of VIEs, on the one hand, and as beneficial owners of the Company, on the other hand. The Company believes the shareholders of VIEs will not act contrary to any of the contractual arrangements and the exclusive purchase right contract provides the Company with a mechanism to remove them as shareholders of VIEs should they act to the detriment of the Company. If any conflict of interest or dispute between the Company and the shareholders of VIEs arises and the Company is unable to resolve it, the Company would have to rely on legal proceedings in the PRC. Such legal proceedings could result in disruption of its business; moreover, there is substantial uncertainty as to the ultimate outcome of any such legal proceedings.

The following financial statement information for AirMedia's VIEs were included in the accompanying consolidated financial statements, presented net of intercompany eliminations, as of and for the years ended December 31:

	As of December 31,	
	2014	2015
Total current assets	\$ 63,730	\$ 316,268
Total non-current assets	94,811	190,684
Total assets	158,541	506,952
Total current liabilities	40,702	101,197
Total non-current liabilities	1,387	26,536
Total liabilities	\$ 42,089	\$ 127,733

	For the years ended December 31,		
	2013	2014	2015
Net revenues	\$ 90,523	\$ 74,689	\$ 49,237
Net loss	(31,887)	(47,119)	(60,117)
Net cash used in operating activities from continuing operations	(16,001)	(17,353)	(26,388)
Net cash (used in) provided by investing activities from continuing operations	(58,804)	(22,607)	(5,166)
Net cash provided by financing activities from continuing operations	60,390	28,785	325

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

The VIEs contributed an aggregate of 99.2%, 100.0% and 98.0% of the consolidated net revenues for the years ended December 31, 2013, 2014 and 2015, respectively. As of December 31, 2014 and 2015, the VIEs accounted for an aggregate of 40.1% and 95.4%, respectively, of the consolidated total assets, and 33.2% and 95.3%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs primarily consist of cash and cash equivalent, short-term investments, property and equipment and long-term investments.

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligations. There are no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, which require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholder of the VIEs or entrustment loans to the VIEs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIEs and its VIEs' subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

(c) *Discontinued operations*

A disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statements of operations. The amount of total current assets, total non-current assets, total current liabilities and total non-current liabilities are presented separately on the consolidated balance sheets.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) *Use of estimates*

The preparation of financial statements in conformity with US GAAP requires to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and accompanying notes, including allowance for doubtful accounts, the useful lives of property and equipment and intangible assets, impairment of long-term investments, impairment of long-lived assets, share-based compensation, provision for earnout commitment and valuation allowance for deferred tax assets. Actual results could differ from those estimates.

(e) *Significant risks and uncertainties*

The Group participates in a dynamic industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations, or cash flows: net losses in the past and futures; the Group's limited operating history; failure in launching new business; a significant or prolonged economic downturn; contraction in the air travel advertising industry in China; competition from other competitors; regulatory or other PRC related factors; fluctuations in the demand for air travel; past and future acquisitions; failure to maintain an effective system of internal control over financial reporting and effective disclosure controls and procedures; risks associated with the Group's ability to attract and retain employees necessary to support its growth; risks associated with the Group's growth strategies; and general risks associated with the advertising industry.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(g) *Fair value of financial instruments*

The Group's financial instruments include cash, restricted cash, accounts receivable, notes receivable, short-term investment, amounts due from related parties, assets held for sale, short-term loan, accounts payable, and amounts due to related parties. The Group did not have any other financial assets and liabilities or nonfinancial assets and liabilities that are measured at fair value on recurring basis as of December 31, 2014 and 2015.

The Group's financial assets and liabilities measured at fair value on a non-recurring basis include assets held for sale based on level 1 inputs, certain assets in connection with an equity share exchange transaction based on level 2 inputs and acquired assets and liabilities based on level 3 inputs in connection with business combinations.

(h) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and highly liquid deposits which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

(i) *Restricted cash*

Restricted cash represents the bank deposits in escrow accounts as the performance security for certain concession right agreements.

(j) *Short-term investment*

Short-term investments comprise marketable debt securities, which are classified as held-to-maturity as the Group has the positive intent and ability to hold the securities to maturity. All of the Group's held-to-maturity securities are stated at their amortized costs and classified as short-term investments on the consolidated balance sheets based on their contractual maturity dates which are less than one year.

The Group reviews its short-term investments for other-than-temporary impairment ("OTTI") based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its short-term investments. If the cost of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investment, in determining if impairment is needed. OTTI is recognized as a loss in the income statement. The short-term investments held by the Group as of December 31, 2015 were not in a continuous unrealized loss position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(k) *Assets held for sale*

The Group considers assets to be held for sale when all of the following criteria are met: i) a formal commitment to a plan to sell a property was made and exercised; ii) the property is available for sale in its present condition; iii) actions required to complete the sale of the property have been initiated; iv) sale of the property is probable and the Group expects the completed sale will occur within one year; v) the property is actively being marketed for sale at a price that is reasonable given its current market value; and vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Upon designation as assets held for sale, the Group records each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and the Group ceases depreciation.

(l) *Property and equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Digital display network equipment	5 years
Gas station display network equipment	5 years
Furniture and fixture	5 years
Computer and office equipment	3-5 years
Vehicle	5 years
Software	5 years
Leasehold improvement	Shorter of the term of the lease or the estimated useful lives of the assets

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) *Long-term investments*

Equity method investments

Investee companies over which the Group has the ability to exercise significant influence, but does not have a controlling interest are accounted for using the equity method. Significant influence is generally considered to exist when the Group has an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation on the investee's Board of Directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

Cost method investments

For investments in an investee over which the Group does not have significant influence, the Group carries the investment at cost and recognizes income as any dividends declared from distribution of investee's earnings. The Group reviews the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's carrying amount and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(n) *Acquired intangible assets*

Acquired intangible assets with definite lives are carried at cost less accumulated amortization. Customer relationships intangible assets are amortized using the estimated attrition pattern of the acquired customers. Amortization of other definite-lived intangible assets is computed using the straight-line method over the following estimated economic lives:

Audio-vision programming & broadcasting qualification	19.5 years
Customer relationships	3-3.4 years
Contract backlog	1.2-3 years
Concession agreements	3.8-10 years
Non-compete agreements	4.4 years

(o) *Revenue recognition*

The Group's revenues are derived from selling advertising time slots on the Group's advertising networks. For the years ended December 31, 2013, 2014 and 2015, the advertising revenues were generated from air travel media network, gas station media network and other media.

The Group typically signs standard contracts with its advertising customers, who require the Group to run the advertiser's advertisements on the Group's network in specified locations for a period of time. The Group recognizes advertising revenues ratably over the performance period for which the advertisements are displayed, so long as collection of the fees remains probable.

The Group also wholesales the advertising platforms such as scrolling light boxes and billboards in the gas stations located in some major cities, with the exception of Beijing, Shanghai and Shenzhen, to advertising agents, and signs fixed fee contracts with the agents for a specified period. The revenue is recognized on a straight-line basis over the specified period.

Deferred revenue

Prepayments from customers for advertising service are deferred and recognized as revenue when the advertising services are rendered.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(o) *Revenue recognition - continued*

Nonmonetary exchanges

The Group occasionally exchanges advertising time slots and locations with other entities for assets or services, such as equipment and other assets. The amount of assets and revenue recognized is based on the fair value of the advertising provided or the fair value of the transferred assets, whichever is more readily determinable. The amounts of revenues recognized for nonmonetary transactions were \$102, \$209 and \$473 for the years ended December 31, 2013, 2014 and 2015, respectively. No direct costs are attributable to the revenues.

(p) *Value Added Tax ("VAT")*

The Company's PRC subsidiaries are subject to value-added taxes at a rate of 6% on revenues from advertising services and paid after deducting input VAT on purchases. The net VAT balance between input VAT and output VAT is reflected in the account as input VAT receivable or other taxes payable.

In July 2012, the Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the pilot collection of VAT in lieu of business tax in certain areas and industries in the PRC, including Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Also a circular issued in May 2013 provided that such VAT pilot program is rolled out nationwide since August 2013. Since then, certain subsidiaries and VIEs became subject to VAT at the rates of 6% or 3%, on certain service revenues which were previously subject to business tax. For the years ended December 31, 2013, 2014 and 2015, gross revenue is presented net of \$5,854, \$3,610 and \$2,647 of VAT, respectively.

(q) *Business tax and other sale related taxes*

The Group's PRC subsidiaries and VIEs are subject to business tax and other sale related taxes at the rate of 8.5% on revenues other than those subject to VAT after deduction of certain costs of revenues permitted by the PRC tax laws.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(r) *Concession fees*

The Group enters concession right agreements with vendors such as airports, airlines, railway bureaus and a petroleum company, under which the Group obtains the right to use the spaces or equipment of the vendors to display the advertisements. The concession right agreements are treated as operating lease arrangements.

Fees under concession right agreements are usually due every three, six or twelve months. Payments made are recorded as current assets and current liabilities according to the respective payment terms. Most of the concession fees with airports, airlines and railway bureaus are fixed with escalation, which means a fixed increase over each year of the agreements. The total concession fee under the concession right agreements with airports and airlines is charged to the consolidated statements of operations on a straight-line basis over the agreement periods, which is generally between three and five years.

The fee structure of the concession right agreement with the petroleum company is based on the actual number of developed gas stations and associated standard annual concession fee for each developed gas station. Each gas station has its specific lease term starting from the time when it is actually put into operation. The calculation of rental payments is based on how many months the gas stations are actually put into operation during the year and the standard annual concession fee determined based on the location of the gas station. Accordingly, each gas station is treated as a separate lease and rental payments are recognized on a straight-line basis over its lease term. The amount of annual concession fee to-be-paid is determined by an actual incurred concession fee or a fixed minimum payment, if any, based on negotiation with the petroleum company.

(s) *Agency fees*

The Group pays fees to advertising agencies based on a certain percentage of revenues made through the advertising agencies upon receipt of payment from advertisers. The agency fees are charged to cost of revenues in the consolidated statements of operations ratably over the period in which the advertising is displayed. Prepaid and accrued agency fees are recorded as current assets and current liabilities according to relative timing of payments made and advertising service provided. From time to time, the Group and certain advertising agencies may renegotiate and mutually agree, as permitted by applicable laws, to reduce existing agency fee liabilities as calculated under the terms of existing contracts. Such reductions in the accrued agency fees are recorded as a reduction in cost of sales in the period the renegotiations are finalized. During the years ended December 31, 2013, 2014 and 2015, reversals in cost of sales as a result of renegotiated agency fees amounted to \$1,066, \$70 and \$403 respectively.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(t) *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating lease. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease periods.

(u) *Advertising costs*

The Group expenses advertising costs as incurred. Total advertising expenses were \$469, \$1,785 and \$350 for the years ended December 31, 2013, 2014 and 2015, respectively, and have been included as part of selling and marketing expenses.

(v) *Foreign currency translation*

The functional and reporting currency of the Company and the Company's subsidiaries domiciled in BVI and Hong Kong are the United States dollar ("U.S. dollar"). The financial records of the Company's other subsidiaries, VIEs and VIEs' subsidiaries located in the PRC are maintained in their local currency, the Renminbi ("RMB"), which are the functional currency of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

The Group's entities with functional currency of RMB translate their operating results and financial position into the U.S. dollar, the Company's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Retained earnings and equity are translated using the historical rate. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(w) *Income taxes*

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the Group classifies the interest and penalties, if any, as a component of the income tax position.

(x) *Share-based payments*

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation expenses over the requisite service periods based on a straight-line method, with a corresponding impact reflected in additional paid-in capital.

Share-based payment transactions with non-employees are measured based on the fair value of the options as of each reporting date through the measurement date, with a corresponding impact reflected in additional paid-in capital.

(y) *Comprehensive (loss) income*

Comprehensive (loss) income includes net (loss) income and foreign currency translation adjustments and is presented net of tax. The tax effect is nil for the three years ended December 31, 2015 in the consolidated statements of comprehensive (loss) income.

(z) *Allowance of doubtful accounts*

The Group conducts credit evaluations of clients and generally does not require collateral or other security from clients. The Group establishes an allowance for doubtful accounts based upon estimates, historical experience and other factors surrounding the credit risk of specific clients and utilizes both specific identification and a general reserve to calculate allowance for doubtful accounts. The amount of receivables ultimately not collected by the Group has generally been consistent with expectations and the allowance established for doubtful accounts. If the frequency and amount of customer defaults change due to the clients' financial condition or general economic conditions, the allowance for uncollectible accounts may require adjustment. As a result, the Group continuously monitors outstanding receivables and adjusts allowances for accounts where collection may be in doubt.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(aa) Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and accounts receivable. The Group places their cash with financial institutions with high-credit rating and quality in China.

Customers accounting for 10% or more of total revenues are:

Customer	For the years ended December 31,		
	2013	2014	2015
A	21.0%	1.8%	-

There is no customer accounting for 10% or more of total accounts receivables as of December 31, 2014 and 2015.

(bb) Net (loss) income per share

Basic net (loss) income per share are computed by dividing net (loss) income attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted net (loss) income reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Potential common shares in the diluted net loss per share computation are excluded in periods of losses from continuing operations, as their effect would be anti-dilutive.

(cc) Government subsidies

The Group primarily receives tax refund and development supporting bonus from tax bureau and local government without any condition or restriction. The government subsidies are recorded in other income on the consolidated statements of operations in the period in which the amounts of such subsidies are received. The recognized government subsidies as other income are \$755, \$491 and \$513 for the years ended December 31, 2013, 2014 and 2015, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(dd) *Recent issued accounting standards*

Recent accounting pronouncements adopted

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) 2014-08 which amends to change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP.

Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization’s results from continuing operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Group early adopted this ASU in January 2015. The effects of the pronouncement have been reflected in the consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(dd) Recent issued accounting standards - continued

Recent accounting pronouncements not yet adopted

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a significant impact on the Group's consolidated financial statements.

On August 12, 2015, the FASB issued a new pronouncement, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Group is in the process of evaluating the impacts of adoption of this guidance on its consolidated financial statements.

On September 25, 2015, the FASB issued ASU 2015-16 to simplify the accounting for measurement-period adjustments. The ASU, which is part of the FASB's simplification initiative (i.e., the Board's effort to reduce the cost and complexity of certain aspects of U.S. GAAP), was issued in response to stakeholder feedback that restatements of prior periods to reflect adjustments made to provisional amounts recognized in a business combination increase the cost and complexity of financial reporting but do not significantly improve the usefulness of the information. Under the ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(dd) *Recent issued accounting standards - continued*

Recent accounting pronouncements not yet adopted - continued

Under this ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

For public business entities, the ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The ASU must be applied prospectively to adjustments to provisional amounts that occur after the effective date. Early adoption is permitted for financial statements that have not been issued. The Group does not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes-Balance Sheet Classification of Deferred Taxes. The amendments in this update simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 are effective for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Group is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

On February 25, 2016, the FASB issued ASU 2016-02 Leases. The core principle of this ASU will require lessees to present right-of-use assets and lease liabilities on their balance sheets. ASU 2016-02 is effective for annual and interim periods beginning January 1, 2019. Early adoption of this ASU is permitted. Upon adoption of this ASU, the Group is required to recognize and measure leases at the beginning of the earliest period presented in the consolidated financial statements using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that the Group may elect to apply. The Group is currently evaluating and assessing the impact of adoption of this ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, which amends the principal-versus-agent implementation guidance and illustrations in the Board's new revenue standard (ASC 606). The amendments in this update clarify the implementation guidance on principal versus agent considerations. When another party, along with the reporting entity, is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (as a principal) or to arrange for the good or service to be provided to the customer by the other party (as an agent). The guidance is effective for interim and annual periods beginning after December 15, 2017. The Group is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

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3. DISCONTINUED OPERATION

The disposal of Target Business described in Note 1 was completed in December 2015.

According to the Equity Interest Transfer Agreement, the Buyers may require the Company to repurchase the equity interest of AM Advertising upon the occurrence of certain events. As these events are considered improbable, no fair value was allocated to the associated put option (see Note 29).

The Equity Interest Transfer Agreement also contains an earnout structure, in the event that the net profit (before or after adjustment for non-recurring gains and losses, whichever is less) of restructured AM Advertising in each of the fiscal years of 2015, 2016, 2017, and 2018 (collectively, the "Covered Period") is less than the profit target of RMB1.0592 billion (the "Profit Target") (being RMB200 million, RMB240 million, RMB288 million and RMB331.2 million, equivalent to \$30,875, \$37,050, \$44,459 and \$51,128, for the fiscal years of 2015, 2016, 2017, and 2018 respectively), other shareholders of AM Advertising, excluding the Buyers, will be obligated to compensate the Buyers for the deficiency by transferring their equity interest in AM Advertising to the Buyers for nil consideration and/or by cash, based on a pre-determined formula with such compensations in aggregate being subject to a cap equal to the amount of the consideration. The earnout commitment was recorded at fair value and amounted to \$25,240 as of December 31, 2015.

The disposal represents a strategic shift and has a major effect on the Group's results of operations. The disposed entities are accounted as discontinued operations in the consolidated financial statements for the years ended December 31, 2013, 2014 and 2015. A gain of \$244,164 was recognized on the disposal, which is determined based on the total consideration of \$324,183, the fair value of the remaining 25% equity interest in AM Advertising of \$79,718 that continues to be held by the Group, the net book value of the Target Business of \$134,497 and the fair value of the earnout commitment of \$25,240. Upon the Group's disposal of its 75% interest in AM Advertising, the Group continues to hold 25% of the equity of AM Advertising, which is accounted for as an equity method investment. The Group's share of earnings for the fiscal year ended December 31, 2015 amounted to \$2,491 and was recorded within the (loss) income on equity method investments within the Consolidated Statements of Operations.

The financial results of the disposed business lines are set out below. Based on the Group's management accounts, the assets, liabilities as of December 31, 2014, the revenue and expenses for the years ended December 31, 2013 and 2014 have been reclassified as discontinued operations to retrospectively reflect the changes.

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3. **DISCONTINUED OPERATION - continued**

Carrying amounts of assets disposed

	As of December 31, 2014
Cash and cash equivalents	\$ 7,320
Restricted cash	11,172
Accounts receivable, net	61,459
Notes receivable	1,911
Prepaid concession fees	18,023
Prepaid expenses and other current assets	18,315
Amounts due from related parties	2,355
Deferred tax asset - current	1,101
Assets held for sale	777
Current assets of discontinued operations	122,433
Property and equipment, net	14,948
Acquired intangible assets, net	286
Long-term investment	3,087
Deferred tax assets - non-current	3,681
Long term deposit	11,789
Non-current assets of discontinued operations	33,791
Total assets of discontinued operations	\$ 156,224

Carrying amounts of liabilities disposed

	As of December 31, 2014
Accounts payable	\$ 55,129
Accrued expenses and other liabilities	6,635
Income tax payable	555
Deferred revenue	9,519
Amounts due to related parties	790
Current liabilities of discontinued operations	72,628
Deferred tax liabilities - non-current	72
Non-current assets of discontinued operations	72
Total liabilities of discontinued operations	\$ 72,700

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3. DISCONTINUED OPERATION – continued

	For the years ended December 31,		
	2013	2014	2015
Net revenues	\$ 181,013	\$ 177,788	\$ 166,843
Cost of revenues	(146,932)	(139,227)	(126,745)
Gross profit	34,081	38,561	40,098
Operating expenses	(21,486)	(17,868)	(13,239)
Income from operations	12,595	20,693	26,859
Gain from disposal of 75% equity interest in AM Advertising	-	-	244,164
Interest income	1,437	282	298
Other income, net	3,127	1,235	1,293
Income on equity method investments	-	20	265
Net income before income tax	17,159	22,230	272,879
Income taxes benefit/(expense)	1,176	(1,942)	(51,696)
Income from discontinued operations attributable to owners of the Company	<u>\$ 18,335</u>	<u>\$ 20,288</u>	<u>\$ 221,183</u>

As of December 31, 2014 the following balances were due from / to related parties:

Amounts due from related parties:

Name of related parties	Relationship	As of December 31, 2014
Beijing AirMedia Jiacheng Advertising Co., Ltd. (“Jiacheng Advertising”) (1)	Equity method investee	19
Guangxi Dingyuan Media Ltd. (“Guangxi Dingyuan”) (2)	Equity method investee	387
AM Jiaming (3)	Equity method investee	1,627
Dingsheng Ruizhi (Beijing) Investment Consulting Co., Ltd. (“Dingsheng Ruizhi”) (4)	Invested by management of the Group	322
		<u>\$ 2,355</u>

- (1) The amounts due from Jiacheng Advertising represents the uncollected concession fee of digital TV screens on airlines as of December 31, 2014.
- (2) The amounts due from Guangxi Dingyuan represents the amount of a deposit on concession fee receivable from Guangxi Dingyuan as of December 31, 2014.
- (3) The amounts due from AM Jiaming includes a short-term loan to AM Jiaming amounted to \$1,612 and related interest receivable of \$15 as of December 31, 2014.
- (4) The amount due from Dingsheng Ruizhi represents the unreceived consideration of \$322 for selling 20% of equity interests in AM Film.

Amounts due to related parties:

Name of related parties	Relationship	As of December 31, 2014
Qingdao Airport AirMedia Advertising Co., Ltd (“Qingdao AM”) (5)	Equity method investee	<u>\$ 790</u>

- (5) The amount due to Qingdao AM represents the capital contribution commitment of \$790 to Qingdao AM as of December 31, 2014, which was paid in January 2015.

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3. DISCONTINUED OPERATION – continued

Details of related party transactions for the years ended December 31, 2013, 2014 and 2015 were as follows:

Concession cost purchased from:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
Guangxi Dingyuan (6)	Equity method investee	\$ -	\$ 233	\$ 1,107
Qingdao AM (7)	Equity method investee	-	-	1,230
		\$ -	\$ 233	\$ 2,337

Loan to a related party:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
AM Jiaming (8)	Equity method investee	\$ -	\$ 1,612	\$ -
		\$ -	\$ 1,612	\$ -

Equity transaction with a related party:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
Beijing Dayun Culture Communication Co., Ltd. ("Dayun Culture") (9)	Invested by management of the Group	\$ -	\$ -	\$ 8,605
Dingsheng Ruizhi (10)	Invested by management of the Group	-	322	-
		\$ -	\$ 322	\$ 8,605

- (6) The Group purchased stand-alone digital frames, LED and lightbox concession in Nanning airport from Guangxi Dingyuan amounting to \$233 and \$1,107 for the years ended December 31, 2014 and 2015.
- (7) The Group purchased stand-alone digital frames concession in Qingdao airport from Qingdao AM amounting to \$1,230 for the year ended December 31, 2015.
- (8) In May 2014 and June 2014, the Group provided two loans to AM Jiaming, with amount of \$806 and \$806, respectively, at an annual interest rate equal to the bank lending rate over the same period, i.e. 6% for 2014. The loans will be due five days after the issuance of a written notice from the Group.
- (9) In November 2015, AM Advertising purchased 20% equity interest in Beijing AirMedia Lianhe Advertising Co., Ltd. ("AirMedia Lianhe") from Dayun Culture with consideration of \$8,605. After the transaction, AM Advertising held 100% equity interest in AirMedia Lianhe.
- (10) In June 2014, AM Advertising sold 20% equity interests in AM Film, a wholly-owned subsidiary, to Dingsheng Ruizhi with consideration of \$322.

4. SEGMENT INFORMATION AND REVENUE ANALYSIS

The Group is mainly engaged in selling advertising time slots on their network, primarily air travel advertising network, throughout PRC.

The Group chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group; hence, the Group has only one operating segment. The Group has internal reporting that does not distinguish between markets or segments.

Geographic information

The Group primarily operates in the PRC and substantially all of the Group's long-lived assets are located in the PRC.

Revenue by service categories

	For the years ended December 31,		
	2013	2014	2015
Revenues from continuing operations:			

Air Travel Media Network	\$	80,002	\$	59,200	\$	38,917
Gas Station Media Network		12,726		11,164		9,840
Other Media		36		5,583		2,109
	\$	<u>92,764</u>	\$	<u>75,947</u>	\$	<u>50,866</u>

5. **SHORT-TERM INVESTMENTS**

Short-term investments consist of various fixed-income financial products purchased from Chinese banks and trusts and are classified as held-to-maturity securities and carried at amortized costs. The maturity dates range from three months to less than one year, with interest rates ranging from 4% to 8.2%. The held-to-maturity securities are subject to penalty for early withdrawal before their maturity. The carrying amount of the held-to-maturity securities of \$17,729 and \$3,705 as of December 31, 2014 and 2015, respectively, approximated their fair values due to their credit ratings and their short-term nature.

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6. LONG-TERM INVESTMENTS

(a) Equity method investments

The Group had the following equity method investments:

Name of company	As of December 31,			
	2014		2015	
	Percentage %	Amount	Percentage %	Amount
Equity method investments				
Beijing Eastern Media Corporation Ltd. (“BEMC”) (1)	49	\$ 1,545	49	\$ 1,363
Zhejiang AirMedia Guangying Film Production Co., Ltd. (“AM Guangying”) (2)	38	3,219	47.6	3,081
AM Jiaming (3)	49	-	-	-
Jiacheng Advertising (4)	30	-	-	-
Beijing Hezhong Chuangjin Investment Co., Ltd. (“Hezhong Chuangjin”) (5)	-	-	15	2,144
Lanmeihangbiao Tiandi Internet Investment Management (Beijing) Co., Ltd. (“LMHB”) (6)	-	-	40	456
AM Advertising (7)	-	-	25	82,177
		<u>\$ 4,764</u>		<u>\$ 89,221</u>

- (1) In March 2008, the Group entered into a definitive agreement with China Eastern Media Corporation, Ltd., a subsidiary of China Eastern Group and China Eastern Airlines Corporation Limited operating the media resources of China Eastern Group, to establish a joint venture, BEMC. BEMC was incorporated on March 18, 2008 in the PRC with China Eastern Media Corporation and the Group holding 51% and 49% equity interest, respectively. BEMC obtained concession rights of certain media resources from China Eastern Group, including the digital TV screens on airplanes of China Eastern Airlines, and paid concession fees to its shareholders as consideration. The total paid-in capital of BEMC was \$2,119, which was contributed by both parties proportionately. In September 2013 and December 2014, BEMC distributed dividend of \$1,401 and \$495, respectively, in which \$686 and \$242, respectively were distributed and paid to the Group.

The investment was accounted for using the equity method of accounting as the Group has the ability to exercise significant influence to the operation of BEMC.

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6. LONG-TERM INVESTMENTS - continued

(a) *Equity method investments – continued*

- (2) In December 2013, the Group entered into an agreement with Zhejiang Tianguang Diying Production Co., Ltd. to establish AM Guangying. AM Guangying was incorporated on December 25, 2013 with total contributed capital of \$1,871, of which 52% and 48% of that amount was contributed by Zhejiang Tianguang Diying Production Co., Ltd. and the Group, respectively. In March 2014, the Group participated a capital call at \$1,629 without any change of its equity interest. As a result, the total contributed capital by the Group was \$2,520 as of December 31, 2014 and 2015. AM Guangying is mainly engaged in film production.

The investment was accounted for using the equity method of accounting as the Group has the ability to exercise significant influence to the operation of AM Guangying.

- (3) In June 2014, the Group sold 51% equity interests in AM Jiaming to a third party, accordingly, AM Jiaming was changed from a wholly-owned subsidiary to a 49% equity method investee of the Group as of December 31, 2014.

In December 2015, the Group acquired 51% equity interest from AM Jiaming's controlling shareholder with consideration of nil. Accordingly, AM Jiaming was a wholly-owned subsidiary of the Group as of December 31, 2015.

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6. LONG-TERM INVESTMENTS - continued

(a) *Equity method investments – continued*

- (4) In December 2014, the Group entered into an agreement with Beijing East Culture Media Co., Ltd. (“East Jiacheng”) to establish Jiacheng Advertising. Jiacheng Advertising was registered on December 12, 2014 with total committed capital contribution of \$4,849. The Group and East Jiacheng each committed to contribute \$1,455 and \$3,394, respectively, representing 30% and 70% of the equity interest of Jiacheng Advertising. As of December 31, 2014, the Group did not pay any capital into Jiacheng Advertising. The capital contribution shall be paid within 50 years as is permitted under current PRC laws. Jiacheng Advertising mainly operates digital TV media resources.

In August 2015, the Group transferred all of its 30% equity interest in Jiacheng Advertising to AM Jinsheng (See Note 10), for consideration of \$252.

- (5) In May 2015, AM Advertising, Beijing Financial Technology Investment Management Center (limited partnership), Beijing Hongdeshengzheng Investment Co., Ltd., and Beijing Hongyuan Zhixin Enterprise Management Consulting Co. Ltd. established Hezhong Chuangjin, which mainly focuses on internet financing. The total subscribed capital contribution was \$16,200 and AM Advertising owns 15% shares with \$2,430 committed investment. For the year ended December 31, 2015, \$2,316 capital was paid by the Group.

In July 2015, AM Advertising transferred its investment in Hezhong Chuangjin to AM Online, a subsidiary of the Group at a consideration of \$2,316, which was equal to the total investment cost and thus no gain or loss was incurred.

As the Group has one representative in the Board of Directors (three members in total) of Hezhong Chuangjin, and has significant influence over it, equity method is adopted in accounting for this investment.

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6. LONG-TERM INVESTMENTS - continued

(a) Equity method investments – continued

- (6) In September 2015, AM Online entered into an agreement with BlueFocus wireless Internet (Beijing) Investment Management Co., Ltd. and two individual investors to establish a joint venture, LMHB. LMHB was incorporated on September 25, 2015 with total subscribed capital contribution of \$1,544, of which 40% was contributed by AM Online. LMHB is mainly engaged in investment management of Wi-Fi platform marketing and other mobile internet industries.
- (7) On June 15, 2015, AirMedia entered into a definitive equity interest transfer agreement with Longde Wenchuang to sell 75% equity interest of AM Advertising for a cash consideration of \$324,183 as disclosed in Note 1. The transaction was completed on December 7, 2015.

After the disposal, the Group holds 25% equity interest in AM Advertising and the Group has two representatives on the Board of Directors of AM Advertising (five members in total). The investment was accounted for using the equity method of accounting as the Group has the ability to exercise significant influence over the operation of AM Advertising.

The summarized financial information of the equity method investees were as follows:

	As of December 31,	
	2014	2015
Total current assets	\$ 11,642	\$ 277,634
Total assets	11,646	319,797
Total current liabilities	1,353	135,190
Total liabilities	2,166	135,342

	For the years ended December 31,		
	2013	2014	2015
Total net revenues	\$ 18,056	\$ 11,486	\$ 35,866
Total gross profits	1,280	567	15,341
Total net income	659	164	9,136

(b) Cost method investment

In June 2010, the Group invested \$367 for 20% equity interest in Zhangshangdong Air Service (Beijing) Co., Ltd. (“Zhangshangdong”), a company established in the PRC that is mainly engaged in air tickets agency services.

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7. **ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net, consists of the following:

	As of December 31,	
	2014	2015
Billed receivable	\$ 13,356	\$ 3,117
Unbilled receivable	14,636	8,067
Accounts receivable, gross	27,992	11,184
Less: Allowance for doubtful accounts	(4,458)	(1,727)
Accounts receivable, net	\$ 23,534	\$ 9,457

Unbilled receivable represents amounts earned under the advertising contracts in progress but not billable at the respective balance sheet dates. These amounts become billable according to the contract term. The Group anticipates that the majority of such unbilled amounts will be billed and collected within twelve months of the balance sheet date.

Movement of allowance for doubtful accounts is as follows:

	Balance at beginning of the year	Charge to expenses	Write off	Exchange adjustment	Balance at end of the year
2013	\$ 362	1,049	-	22	\$ 1,433
2014	\$ 1,433	3,212	(7)	(180)	\$ 4,458
2015	\$ 4,458	(2,661)	-	(70)	\$ 1,727

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8. OTHER CURRENT ASSETS

Other current assets consist of the following:

	As of December 31,	
	2014	2015
Input VAT receivable	\$ 4,438	\$ 13,604
Prepaid selling and marketing fees	829	773
Short-term deposits	162	150
Prepaid income tax	467	447
Prepaid individual income tax	451	433
Loans to third parties ⁽ⁱ⁾	-	5,403
Receivable from third party ⁽ⁱⁱ⁾	-	4,110
Receivable from a non-controlling interest holder	-	1,313
Receivables from ADS depositary	-	468
Other assets from nonmonetary transactions	-	212
Other prepaid expenses	972	3,991
	\$ 7,319	\$ 30,904

- (i) Loans to third parties represented the loans to three third parties. On December 3, 2015, December 21, 2015 and December 24, 2015, the Group entered into three loan agreements with three third parties amounting to \$617, \$1,698 and \$3,088, respectively with the terms of one year, one year and three months, respectively. The interest rates were 4.35%, 4.35% and 5.655% without any assets pledged. The loan of \$1,698 was subsequently repaid in January 2016.
- (ii) Receivable from third party represented the working capital provided by the Group to support the third party's daily operations.

9. CONSIDERATION RECEIVABLE

Consideration receivable of \$200,685 represents the second installment of the total consideration for the sale of 75% equity interest in AM Advertising to the Buyers. The transaction is disclosed in Note 1. The first installment of RMB800 million (\$123,498) was received in July 2015 and the second installment of RMB1,300 million (\$200,685) was subsequently received in January 2016.

10. ASSETS HELD FOR SALE

On January 13, 2015, the Group entered into an agreement with Beijing Tianyi Culture Development Co., Ltd., a third party, to sell 81% equity interest in AM Jinsheng at the consideration of \$1,227, which operated the Group's TV-attached digital frames. This disposal did not represent a strategic shift or have a major effect on the Group's results of operations, accordingly the disposal of such equity interest was not presented as discontinued operations. In late September 2015, the Group disposed its remaining 19% interest in AM Jinsheng to Beijing Tianyi Culture Development Co. Ltd. ("Tianyi Culture"), the controlling shareholder of AM Jinsheng, at the nominal consideration of RMB1. No gain or loss was recognized since the long-term investment in AM Jinsheng was fully impaired before the disposal due to continuous losses.

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11. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	As of December 31,	
	2014	2015
Investment in film and TV series ⁽ⁱ⁾	\$ 6,128	\$ 4,781
Prepaid office space and leasehold improvement fees ⁽ⁱⁱ⁾	-	6,831
	\$ 6,128	\$ 11,612

- (i) The Group invests in films and TV series, which are produced by other third parties, and shares profit of the invested films and TV series based on its investment as a percentage of the total investment for a film or TV series.

Amounts related to the investments in films and TV series that are expected to receive investment returns within one year after December 31 of each fiscal year are recorded as other current assets. The remaining balance is recorded as other non-current assets. The investments of \$6,128 and \$4,781 were recorded as other non-current assets for the years ended December 31, 2014 and 2015, respectively.

The Group also enters into agreements with other investors to invest together on certain film or TV series, which are produced by third parties, and shares the profit of the invested films and TV series proportionally based on their investments. The Group received the investment from other investors, and recorded it as other non-current liabilities amounted to \$1,257 and \$1,205 as of December 31, 2014 and 2015 due to the long-term of expected investment returns.

- (ii) In 2015, the Group prepaid for office space and leasehold improvement fees in total of \$6,831. As the office spaces legal title had not been transferred to the Group, the prepaid amounts were recognized as other non-current assets as of December 31, 2015.

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12. LONG-TERM DEPOSITS

Long term deposits consist of the following:

	As of December 31,	
	2014	2015
Concession fee deposits	\$ 8,195	\$ 4,527
Office rental deposits	316	352
	<u>\$ 8,511</u>	<u>\$ 4,879</u>

Concession fee deposits normally have terms of three to five years and are refundable at the end of the concession terms. Office rental deposits normally have terms of two to three years and are refundable at the end of the lease term.

The long term deposits are not within the scope of the accounting guidance regarding interests on receivables and payables, because they are intended to provide security for the counterparty to the concession rights or office rental agreements. Therefore, the deposits are recorded at cost.

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13. ACQUIRED INTANGIBLE ASSETS, NET

Acquired intangible assets, net, consist of the following:

	As of December 31,							
	2014			2015				
	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated amortization	Accumulated impairment	Net carrying amount
Audio-vision programming and broadcasting qualification	\$ 224	\$ (38)	\$ (186)	\$ -	\$ 214	\$ (37)	\$ (177)	\$ -
Customer relationships	771	(771)	-	-	739	(739)	-	-
Contract backlog	1,612	(1,612)	-	-	1,544	(1,544)	-	-
Concession agreements	8,502	(7,351)	(630)	521	10,459	(7,531)	(603)	2,325
Non-compete agreements	190	(180)	(10)	-	182	(172)	(10)	-
	<u>\$ 11,299</u>	<u>\$ (9,952)</u>	<u>\$ (826)</u>	<u>\$ 521</u>	<u>\$ 13,138</u>	<u>\$ (10,023)</u>	<u>\$ (790)</u>	<u>\$ 2,325</u>

The amortization expense for the years ended December 31, 2013, 2014 and 2015 were \$692, \$462 and \$505, respectively. During fiscal years 2016, 2017, 2018, 2019 and thereafter, the Group expects to record amortization expenses for definite-lived intangible assets of \$507, \$507, \$507, \$386 and \$418, respectively.

14. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	As of December 31,	
	2014	2015
Digital display network equipment	\$ 49,427	\$ 26,049
Gas station display network equipment	23,261	33,412
Software	10,367	9,959
Computer and office equipment	2,717	3,140
Vehicle	985	774
Leasehold improvement	209	218
Furniture and fixture	687	1,092
Less: accumulated depreciation	<u>(52,272)</u>	<u>(26,305)</u>
	<u>\$ 35,381</u>	<u>\$ 48,339</u>

Depreciation expense recorded for the years ended December 31, 2013, 2014 and 2015 were \$11,121, \$5,832 and \$5,266, respectively.

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15. PREPAID EQUIPMENT COST

On May 12, 2013, the Group entered into an agreement with Elec-Tech International Co., Ltd. (“Elec-Tech”) to exchange the equity interests of GreatView Media, one of the VIEs’ subsidiaries, with LED screens from Elec-Tech, pursuant to which Elec-Tech would invest \$104,000 in total (equivalent to RMB640 million) to purchase approximately 21.27% of the equity interest of GreatView Media. In exchange, GreatView Media undertook to exclusively use the equal amounts of such injections to purchase LED screens from Elec-Tech or its subsidiaries. The Group considered this transaction a nonmonetary transaction. The Group measured the fair value of equity interests surrendered based on the fair value of LED screens received, which is more clearly determinable. The details of fair value measurement are disclosed in Note 20. The Group would not recognize any gain or loss from this transaction.

Elec-Tech had injected a total of \$68,458 (RMB420 million) into GreatView Media during the year ended December 31, 2014. The Group purchased 1,200 sets of LED screens in total from Elec-Tech, amounting to \$55,416 net of VAT for its gas station media business as of December 31, 2015. As of December 31, 2015, the Group has installed and accepted 600 sets of LED screens amounting to \$27,708.

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the follows:

	As of December 31,	
	2014	2015
Accrued payroll and welfare	\$ 1,773	\$ 1,860
Other tax payable	560	1,462
Accrued staff disbursement	738	1,166
Deposit payable	837	665
Accrued professional fees	386	4,382
Other current liabilities	569	1,209
	\$ 4,863	\$ 10,744

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17. SHORT-TERM LOAN

In January 2014, the Group entered into a short-term loan agreement with Bank of Ping'An for a loan of \$1,800 from January 8, 2014 to January 7, 2015 with an annual interest rate of 2.89%.

In March 2014, the Group entered into a short-term loan agreement with Bank of Ping'An for another loan of \$1,200 from March 31, 2014 to March 30, 2015 with an annual interest rate of 2.86%. The interest expenses for the loans were \$77 for the year ended December 31, 2014. As of March 31, 2015, both of the loans and interest expense were fully repaid.

18. INCOME TAXES

AirMedia is a tax-exempted company incorporated in the Cayman Islands.

Broad Cosmos and Excel Lead are tax-exempted company incorporated in the British Virgin Islands.

AM China and Glorious Star did not have any assessable profits arising in or derived from Hong Kong for the years ended December 31, 2013, 2014 and 2015, and accordingly no provision for Hong Kong Profits Tax was made in these years.

The Group's subsidiaries in the PRC are all subject to PRC Enterprise Income Tax ("EIT") on the taxable income in accordance with the relevant PRC income tax laws and regulations. The EIT rate for the Group's operating in PRC was 25% with the following exceptions.

AM Technology qualified for the High and New-Tech Enterprise ("HNTE") status that would allow for a reduced 15% tax rate under EIT Law since year 2006. AM Technology was subject to an EIT rate of 15% in 2013, 2014 and 2015, and is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE.

Shenzhen AM is subject to EIT on the taxable income at the gradual rate, which is 24% in 2011, and 25% in 2012 and thereafter, according to transitional rules of the new EIT Law. Since Shenzhen AM is also qualified as a "manufacturing foreign-invested enterprise" incorporated prior to the effectiveness of the new EIT Law, it is further entitled to the EIT rate of 12.5% for the year 2012. For the year 2013 and thereafter, it is subject to an EIT rate of 25%.

Xi'an AM qualified as a "Software Enterprise" in August 2008 by Technology Information Bureau of Shaanxi province, and therefore is entitled to a two-year exemption from the EIT commencing from its first profitable year and a 50% deduction of 25% EIT rate for the succeeding three years, with approval by the relevant tax authorities. As Xi'an AM first made profit in 2009, it was exempted from EIT in 2009 and 2010, and enjoyed the preferential income tax rate of 12.5% from 2011 to 2013. In 2014, Xi'an AM qualified as HNTE and entitled to an EIT rate of 15% for the years 2014 and 2015, and is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE.

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18. INCOME TAXES - continued

Income tax (expenses) /benefits are as follows:

	For the years ended December 31,		
	2013	2014	2015
Income tax (expenses)/benefits:			
Current	\$ (1,088)	\$ (988)	\$ (480)
Deferred	1,625	2,500	(5,941)
	\$ 537	\$ 1,512	\$ (6,421)

The principal components of the Group's deferred income tax assets and liabilities are as follows:

	As of December 31,	
	2014	2015
Deferred tax assets:		
Current		
Allowance for doubtful accounts	\$ 1,347	\$ 899
Accrued payroll	390	-
Employee education fee excess	-	6
Valuation allowance	(1,253)	(864)
Deferred tax assets - current	484	41
Non-current		
Depreciation of property and equipment	245	127
Amortization of intangible assets and concession fees	2,821	2,274
Net operating loss carry forwards	10,842	15,404
Valuation allowance	(3,657)	(13,322)
Deferred tax assets - non-current	10,251	4,483
Total deferred tax assets	10,735	4,524
Deferred tax liabilities:		
Non-current		
Acquired intangible assets	130	91
Total deferred tax liabilities	\$ 130	\$ 91

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18. INCOME TAXES - continued

The valuation allowance provided as of December 31, 2015 relates to the deferred tax assets generated by AM Technology, Jiaming Advertising, AM Yuehang, AM Film, AM Wenzhou, Hainan Jinhui, Dongding, GreatView Media, Guangzhou Meizheng, and AM Tianyi was recognized based on the Group's estimates of the future taxable income of these entities, because the Group believes that either it is more likely than not that the deferred tax assets for these entities will not be realized as it does not expect to generate sufficient taxable income in future, or the amount involved is not significant. The Group's subsidiaries in the PRC had total net operating loss carry forwards of \$15,404 as of December 31, 2015. The net operating loss carry forwards for the PRC subsidiaries will expire on various dates through year 2020.

Reconciliation between the provision for income taxes computed by applying the PRC EIT rate of 25% to income before income taxes and the actual provision of income taxes is as follows:

	For the years ended December 31,		
	2013	2014	2015
Net loss before provision for income taxes	\$ (30,323)	\$ (53,414)	\$ (74,202)
PRC statutory tax rate	25%	25%	25%
Income tax at statutory tax rate	(7,581)	(13,354)	(18,551)
Expenses not deductible for tax purposes:			
Entertainment expenses exceeded the tax limit	271	217	300
Tax effect of tax losses not recognized	346	10	-
Tax effect of other permanent differences	88	360	330
Changes in valuation allowance	526	2,748	9,276
Effect of preferential tax rates granted to PRC entities	5,379	7,912	14,404
Effect of income tax rate difference in other jurisdictions	434	595	662
Income tax expenses/ (benefits)	\$ (537)	\$ (1,512)	6,421
Effective tax rates	1.8%	2.8%	(8.7)%

If the Group's subsidiaries, VIEs and VIEs' subsidiaries in the PRC were not in a tax holiday period in the years ended December 31, 2013, 2014 and 2015, the impact to net loss per share amounts would be as follows:

	For the years ended December 31,		
	2013	2014	2015
Decrease in income tax expenses	\$ (5,379)	\$ (7,912)	\$ (14,404)
Decrease in net loss per ordinary share-basic	(0.04)	(0.07)	(0.12)
Decrease in net loss per ordinary share-diluted	(0.04)	(0.07)	(0.11)

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18. INCOME TAXES - continued

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2013, 2014 and 2015. The Group did not incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2013, 2014 and 2015.

Since the commencement of operations in August 2005, only AM Technology and Shenzhen AM have been subjected to a tax examination by the relevant PRC tax authorities. The Group's subsidiaries, VIEs and VIEs' subsidiaries remain subject to tax examinations at the tax authority's discretion.

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. New EIT Law includes a provision specifying that legal entities organized outside of China will be considered residents for Chinese income tax purposes if the place of effective management or control is within China. The Implementation Rules to the new EIT Law provide that non-resident legal entities will be considered China residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within China. Additional guidance is expected to be released by the Chinese government in the near future that may clarify how to apply this standard to tax payers. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that its legal entities organized outside of China should be treated as residents for new EIT Law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial report over tax basis, including those differences attributable to a more than 50% interest in a subsidiary. However, the Company's subsidiaries located in the PRC were in a loss position and had accumulated deficit as of December 31, 2013 and 2014, and the tax basis for the investment was greater than the carrying value of this investment. A deferred tax asset should be recognized for this temporary difference only if it is apparent that the temporary difference will reverse in the foreseeable future. Absent of evidence of a reversal in the foreseeable future, no deferred tax asset for such temporary difference was recorded. As of December 31, 2015, the Company's subsidiaries located in the PRC were in a profit position and had accumulated profit. The Company did not record any tax on any of the undistributed earnings because the relevant subsidiaries do not intend to declare dividends and the Company intends to permanently reinvest it within the PRC. Additionally, no deferred tax liability was recorded for taxable temporary differences attributable to the undistributed earnings of VIEs because the Company believes the undistributed earnings can be distributed in a manner that would not be subject to income tax.

Aggregate undistributed earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. The Chinese tax authorities have also clarified that distributions made out of pre January 1, 2008 retained earnings will not be subject to the withholding tax.

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19. NET (LOSS) INCOME PER SHARE

The calculation of the net loss per share is as follows:

	For the years ended December 31,		
	2013	2014	2015
Numerator:			
Net (loss) income attributable to AirMedia Group Inc.'s ordinary shareholders	\$ (10,626)	\$ (25,695)	\$ 149,647
- Continuing operations	(28,961)	(45,306)	(70,651)
- Discontinued operations	18,335	19,611	220,298
Denominator:			
Weighted average ordinary shares outstanding used in computing net (loss) income per ordinary share			
- basic	120,386,635	119,304,773	121,740,194
- diluted	120,386,635	119,304,773	129,372,158
Weighted average shares used in calculating (loss) income per ordinary shares			
Basic			
Continuing operations	120,386,635	119,304,773	121,740,194
Discontinued operations	120,386,635	119,304,773	121,740,194
Diluted			
Continuing operations (i)	120,386,635	119,304,773	121,740,194
Discontinued operations (ii)	120,391,294	119,924,927	129,372,158
Net (loss) income per ordinary share			
-basic	\$ (0.09)	\$ (0.22)	\$ 1.23
-diluted	(0.09)	(0.22)	1.16
Net (loss) income per ordinary share from continuing operations			
-basic	\$ (0.24)	\$ (0.38)	\$ (0.58)
-diluted	(0.24)	(0.38)	(0.58)
Net income per ordinary share from discontinued operations			
-basic	\$ 0.15	\$ 0.16	\$ 1.81
-diluted	0.15	0.16	1.70

- (i) The effect of options was excluded from the computation of diluted loss per share from continuing operations for the years ended December 31, 2013, 2014 and 2015, respectively, as the effect would be anti-dilutive.
- (ii) An incremental weighted average number of 4,659, 620,154 and 7,631,964 ordinary shares from assumed exercise of share option were included in computing the diluted income per share for the discontinued operations for the years ended December 31, 2013, 2014 and 2015, respectively.

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20. SHARE BASED PAYMENTS

2007 Share incentive plan

On July 2, 2007, the Board of Directors adopted the 2007 share incentive plan (the "2007 Option Plan"), which allows the Group to grant options to its employees and directors to purchase up to 12,000,000 ordinary shares of the Company subject to vesting requirement.

On December 29, 2008, the Board of Directors amended 2007 Option Plan to allow the Group to grant options to its employees and directors to purchase up to 17,000,000 ordinary shares.

On September 1, 2012, the Board of Directors approved to grant options to the employees under 2007 Share Incentive Plan to purchase an aggregate of 1,857,538 ordinary shares of the Company, at an exercise price of \$0.72 per ordinary share. One twelfth of the options will vest each quarter from September 4, 2012. The expiration date will be 5 years from the grant date.

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20. **SHARE BASED PAYMENTS- continued**

2007 Share incentive plan - continued

On April 15, 2014, the Board of Directors approved to extend the expiration dates of the options granted on November 29, 2007 and July 10, 2009 from April 28, 2014 to April 28, 2016. Modified awards are viewed as an exchange of the original award for a new award. The fair value of the stock options, which was \$0.21 and \$0.21 per share, respectively, as of the modification dates, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award were \$4 and \$4, respectively, which were recognized as share-based compensation expense for the year ended December 31, 2014.

On May 31, 2014, the former CFO resigned and the Board of Directors approved the amendment of his share option agreement. On the date of resignation, 575,440 unvested options were cancelled and the expiration date of 1,282,098 vested options was modified from September 3, 2017 to May 31, 2016. The fair value of the stock options, which was \$0.43 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was \$201, which was recognized as share-based compensation expense for the year ended December 31, 2014.

On June 9, 2014, the Board of Directors approved to extend the expiration date of the options granted on July 10, 2009 from July 11, 2014 to July 11, 2016. Modified awards are viewed as an exchange of the original award for a new award. The fair value were \$0.22 and \$0.12 per share for the stock options whose exercise price were \$1.15 and \$1.57 per share, respectively, as of the modification date, was estimated using the Black-Scholes model. The incremental compensation costs of the modified award were \$686 and \$5, respectively, which were recognized as share-based compensation expense for the year ended December 31, 2014.

On June 9, 2014, Board of Directors of the Group approved to extend the expiration date of the options granted on November 1, 2012 from November 11, 2014 to November 11, 2016. Modified award is viewed as an exchange of the original award for a new award. The fair value of the stock options, which was \$0.25 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was \$4, which was recognized as share-based compensation expense for the year ended December 31, 2014.

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20. SHARE BASED PAYMENTS - continued

2011 Share incentive plan

On March 18, 2011, the Board of Directors adopted 2011 Share Incentive Plan (the "2011 Option Plan"), which allows the Group to grant options to its employees and directors to purchase up to 2,000,000 ordinary shares of the Company subject to vesting requirement.

On March 22, 2011, the Board of Directors granted options to Group's employees to purchase an aggregate of 2,180,000 ordinary shares of the Company under 2007 Option Plan and 2011 Option Plan, at an exercise price of \$2.3 per share. The contractual term of the options was 5 or 10 years. One twelfth of these options will vest each quarter through March 22, 2014. Subsequently on June 7, 2011, the Board of Directors approved to modify the exercise price of these stock options to \$1.57 per share. The fair value of these options at the modification date was estimated to be \$0.75 per option. The incremental share based compensation costs of the re-priced options was \$314 to be recognized over the remaining service period through March 22, 2014.

On August 23, 2011, the Board of Directors approved the adjustment of the exercise price of certain stock options that were granted on July 2, 2007, July 20, 2007, November 29, 2007, July 10, 2009 and March 22, 2011, which were subsequently modified from \$1.57 per share to \$1.15 per share. The fair value of the options on the modification date was \$0.21, \$0.22, \$0.26, \$0.39 and \$0.53 per share, respectively, calculated using the Black-Scholes model. The incremental compensation cost of the re-priced options was \$1,259, of which \$950 was recognized on the modification date, and the remainder to be recognized over the remaining service period.

In September 2012, the former CFO of the Group resigned. Of the 600,000 options granted to her on March 22, 2011, 300,000 were vested through her date of resignation. In conjunction with her resignation, she signed a supplementary agreement with the Group that granted her 100,000 immediately exercisable options and 200,000 options that would vest through September 22, 2013. During the vesting period, she would provide consulting service as a consultant. For the 100,000 immediately exercisable options, a measurement date was reached upon grant and the Group immediately recognized \$35 share-based compensation expenses. For the 200,000 options that vested through September 22, 2013, the Group recognized expense based on the fair value of the options as of each reporting date through the measurement date. For the years ended December 31, 2013, 2014 and 2015, the Group recognized \$59, nil and nil share-based compensation expense for these options, respectively.

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20. SHARE BASED PAYMENTS - continued

2012 Share incentive plan

On November 30, 2012, the Board of Directors adopted 2012 Share Incentive Plan (the "2012 Option Plan"), which allows the Group to grant options to its employees and directors to purchase up to 6,000,000 ordinary shares of the Company subject to vesting requirement.

On November 1 and November 30, 2012, the Group granted 20,000 options to a consultant under the 2007 Option Plan and 60,000 options under the 2012 Option Plan to purchase the Company's ordinary shares at an exercise price of \$1.11 per share. 20,000 share options were vested immediately and one-third of the 60,000 share options vested on February 1, May 1 and August 1, 2013, respectively.

On June 1 and August 1, 2014, the Group granted 2,376,620 options and 140,000 options to its employees under the 2012 Option Plan to purchase the Company's ordinary shares at an exercise price of \$1.025 and \$1.045 per share, respectively. One twelfth of these options will vest each quarter through June 1, 2017 and August 1, 2017, respectively. The expiration date will be 5 years from the grant dates.

On October 13, 2014, an employee terminated his employment with the Group but continued to provide service as a nonemployee consultant. 50,000 options granted to him on August 1, 2014 were not modified in connection with the change in status, but future service is still necessary to earn the award. The compensation cost was measured as if the options were newly granted at the date of the change of status. The incremental share-based compensation expense for the year ended December 31, 2014 was not material. On October 31, 2015, the consultant service contract terminated. Of the 50,000 options granted to him, 20,830 were vested through the service period end and the expiration date of the vested options was modified from August 1, 2019 to January 31, 2016. The rest 29,170 unvested options were cancelled at the service period end.

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20. SHARE BASED PAYMENTS - continued

2012 Share incentive plan - continued

On May 12, 2015, the Group granted 660,000 options its employees under the 2012 Option Plan to purchase the Company's ordinary shares at an exercise price of \$1.675 per share. One twelfth of these options will vest each quarter through May 12, 2018. The expiration date will be 5 years from the grant date.

On June 15, 2015, an employee terminated his employment with the Group but continued to provide service as a nonemployee consultant. 200,000 options granted to him on June 1, 2014 were not modified in connection with the change in status, but future service is still necessary to earn the award. The compensation cost was measured as if the options were newly granted at the date of the change of status. The incremental share-based compensation expense for the year ended December 31, 2015 was not material.

On October 31, 2015, an employee terminated his employment with the Group but continued to provide service as a nonemployee consultant. 100,000 options granted to him on May 12, 2015 were not modified in connection with the change in status, but future service is still necessary to earn the award. The compensation cost was measured as if the options were newly granted at the date of the change of status. The incremental share-based compensation expense for the year ended December 31, 2015 was not material.

On December 31, 2015, two consultants resigned. Of the 200,000 options granted to one of them on May 12, 2015, 3,332 were vested through the date of resignation. The expiration date of the vested options was modified from May 12, 2020 to May 31, 2016. For the rest 166,668 unvested options, one twelfth of the total granted options will still vest on February 12, 2016 following the original vesting schedule and the rest 150,002 options were cancelled on the date of resignation. The fair value of the stock options, which was \$1.12 per share as of the modification date, was estimated using the Black-Scholes model. The incremental compensation cost of the modified award was immaterial for the year ended December 31, 2015. Of the 100,000 options granted to the other consultant on May 12, 2015, 16,664 were vested through the date of resignation. The expiration date of the vested options was modified from May 12, 2020 to January 31, 2016, and the 83,336 unvested options were cancelled on the date of resignation.

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20. SHARE BASED PAYMENTS - continued

The following summary of stock option activities under the 2007, 2011 and 2012 Share incentive plans as of December 31, 2015, reflective of all modifications is presented below:

	Number of options	Weighted average exercise price per option	Outstanding Options		
			Weighted average grant-date fair value	Weighted average remaining contractual terms	Aggregate intrinsic value
Outstanding as of January 1, 2015	14,853,764	\$ 1.15	\$ 1.18		
Granted	660,000	1.68	1.16		
Exercised	(4,453,232)	1.20	1.42		
Forfeited	(621,692)	1.38	1.20		
Outstanding as of December 31, 2015	<u>10,438,840</u>	<u>\$ 1.14</u>	<u>\$ 1.07</u>	<u>2.16</u>	<u>\$ 17,236</u>
Options vested and expected to vest as of December 31, 2015	<u>10,332,009</u>	<u>\$ 1.14</u>	<u>\$ 1.07</u>	<u>2.15</u>	<u>\$ 17,056</u>
Options exercisable as of December 31, 2015	<u>9,237,208</u>	<u>\$ 1.14</u>	<u>\$ 1.13</u>	<u>1.99</u>	<u>\$ 15,262</u>

The total intrinsic value of options exercised during the years ended December 31, 2013, 2014 and 2015 were \$3, \$442 and \$7,039, respectively. The total fair value of options vested during the years ended December 31, 2013, 2014 and 2015 were \$1,476, \$357 and \$649, respectively.

The Group recorded share-based compensation of \$943, \$1,281 and \$567 for the years ended December 31, 2013, 2014 and 2015, respectively. There was \$843 of total unrecognized compensation expense related to unvested share options granted as of December 31, 2015. The expense is expected to be recognized over a weighted-average period of 1.67 years on a straight-line basis.

The fair value of each option granted was estimated on the date of grant/modification using the Black-Scholes option pricing model with the following assumptions used during the applicable period.

	For the years ended December 31,		
	2013	2014	2015
Risk-free interest rate of return	0.12%-1.10%	0.10% - 1.07%	0.00%-1.24%
Expected term	0.33-4.42 years	1.00 - 3.32 years	0.04-2.93 years
Volatility	64.75%-94.43%	63.10% - 67.06%	7.19%-126.63%
Dividend yield	-	-	-

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20. SHARE BASED PAYMENTS - continued

(1) Volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the Company's ordinary shares and listed shares of comparable companies over a period comparable to the expected term of the options. From March 2011, the volatility was estimated based on the historical volatility of the Company's share price as the Company has accumulated sufficient history of stock price for a period comparable to the expected term of the options.

(2) Risk-free rate

Risk-free rate is based on yield of US Treasury bill as of valuation date with maturity date close to the expected term of the options.

(3) Expected term

The expected term is estimated based on a consideration of factors including the original contractual term and the vesting term.

(4) Dividend yield

The dividend yield was estimated by the Group based on its expected dividend policy over the expected term of the options. The Group has no plan to pay any dividend in the foreseeable future. Therefore, the Group considers the dividend yield to be zero.

(5) Exercise price

The exercise price of the options was determined by the Group's Board of Directors.

(6) Fair value of underlying ordinary shares

The closing market price of the ordinary shares of the Company as of the grant/modification date was used as the fair value of the ordinary shares on that date.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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21. FAIR VALUE MEASUREMENT

Measured on recurring basis

The Group measured its financial assets and liabilities, including cash, restricted cash, accounts receivable, short-term investment, amounts due from related parties, short-term loans, accounts payable and amounts due to related parties on a recurring basis as of December 31, 2014 and 2015.

Cash, restricted cash and short-term investment are classified within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market. The carrying amounts of accounts receivable, amounts due from related parties, accounts payable and amounts due to related parties approximate their fair values due to their short-term maturity.

Measured on non-recurring basis

The Group measured intangible assets at fair value on a nonrecurring basis. The fair value was determined using models with significant unobservable inputs (Level 3 inputs), primarily management projections on discounted future cash flow and the discount rate. No impairment was recorded for the year ended December 31, 2015.

The Group measured the prepaid equipment cost exchanged with Elec-tech at fair value on a nonrecurring basis as result of the unit price of each LED screen of \$58 as set forth in Note 15. For the years ended December 31, 2014 and 2015, the Group evaluated the fair value of the LED screens when the exchange transaction occurred. The fair value was determined using the market approach (sales comparison method) with quoted price for similar assets in active markets (Level 2 inputs). No impairment was recorded for the year ended December 31, 2015.

The Group measured its long-term investment in 25% equity interests of AM Advertising at fair value on a nonrecurring basis as result of the disposal transaction of Target Business as set forth in Note 3. The fair value was determined using models with significant unobservable inputs (Level 3 inputs) which primarily included management projections on the discounted future cash flow analysis including the discount rate using the weighted average cost of capital of 17% and expected revenue growth rates with a long-term growth rate at 3%. No impairment was recorded for the year ended December 31, 2015.

The Group measured the provision for earnout commitment at fair value on a nonrecurring basis as result of the disposal transaction of Target Business as set forth in Note 3. The fair value was determined using the Monte Carlo method with significant unobservable inputs (Level 3 inputs) which primarily included forecast adjusted net income over the contingent consideration period and the risk-adjusted discount rate of 7.5%.

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22. SHARE REPURCHASE PLAN

On March 21, 2011, the Board of Directors authorized the Company to repurchase up to \$20 million of its own outstanding ADSs within two years from March 21, 2011. On September 26, 2012, the Board of Directors approved to increase the amount of the share repurchase program to \$40 million of its own outstanding ADS and to extend the termination date of the share repurchase program to March 20, 2014.

Up to December 31, 2015, the Company had repurchased an aggregate of 6,532,429 ADSs from the open market for a total consideration of \$17.4 million, of which 2,190,685 ADSs had been cancelled and 4,341,744 ADSs were recorded as treasury stock. As of December 31, 2015, 2,708,538 ADS of treasury stock has been reissued.

23. MAINLAND CHINA CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labour regulations require the Group to accrue for these benefits based on certain percentages of the employees' income. The total contribution for such employee benefits were \$2,173, \$2,717 and \$2,202 for the years ended December 31, 2013, 2014 and 2015, respectively.

24. STATUTORY RESERVES

As stipulated by the relevant law and regulations in the PRC, the Group's subsidiaries, VIEs and VIEs' subsidiaries in the PRC are required to maintain non-distributable statutory surplus reserve. Appropriations to the statutory surplus reserve are required to be made at not less than 10% of profit after taxes as reported in the subsidiaries' statutory financial statements prepared under the PRC GAAP. Once appropriated, these amounts are not available for future distribution to owners or shareholders. Once the general reserve is accumulated to 50% of the subsidiaries' registered capital, the subsidiaries can choose not to provide more reserves. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production and increase in registered capital of the subsidiaries. The Group allocated \$413 and \$17,542 to statutory reserves during the years ended December 31, 2014 and 2015, respectively. The statutory reserves cannot be transferred to the Company in the form of loans or advances and are not distributable as cash dividends except in the event of liquidation.

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25. RESTRICTED NET ASSETS

Relevant PRC laws and regulations restrict the WFOEs, VIEs and VIEs' subsidiaries from transferring a portion of their net assets, equivalent to the balance of their statutory reserves and their paid-in-capital, to the Group in the form of loans, advances or cash dividends. Relevant PRC statutory laws and regulations restrict the payments of dividends by the Group's PRC subsidiaries and VIEs and VIEs' subsidiaries from their respective retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

As of December 31, 2015, the balance of restricted net assets was \$313,780, of which \$114,695 was attributed to the paid-in-capital and statutory reserves of the VIEs and VIEs' subsidiaries, and \$199,085 was attributed to the paid in capital and statutory reserves of WFOE. Under applicable PRC laws, loans from PRC companies to their offshore affiliated entities require governmental approval, and advances by PRC companies to their offshore affiliated entities must be supported by bona fide business transactions.

26. COMMITMENTS

(a) Operating leases

The Group has entered into operating lease agreements principally for its office spaces in the PRC. These leases expire through 2018 and are renewable upon negotiation. Rental expenses under operating leases for the years ended December 31, 2013, 2014 and 2015 were \$1,141, \$1,316 and \$1,507, respectively.

Future minimum rental lease payments under non-cancellable operating leases agreements were as follows:

Year	
2016	\$ 1,279
2017	249
2018	104
	<u>\$ 1,632</u>

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26. COMMITMENTS - Continued

(b) Concession fees

The Group has entered into concession right agreements with vendors, such as airports, airlines and a petroleum company. The contract terms of such concession rights are usually three to five years. The concession rights expire through 2029 and are renewable upon negotiation. Concession fees charged into statements of operations for the years ended December 31, 2013, 2014 and 2015 were \$67,314, \$71,533 and \$64,752 respectively.

Future minimum concession fee payments under non-cancellable concession right agreements were as follows:

Year		
2016	\$	21,035
2017		18,215
2018		17,193
2019		15,539
2020		15,620
2021 and thereafter		9,378
	<u>\$</u>	<u>96,980</u>

(c) Capital commitments

The Group has entered into purchase agreements with vendors for media equipment and gas stations and a property. The minimum purchase payments under non-cancellable purchase agreements were \$26,177 for the year ending December 31, 2016. No capital commitments exist beyond fiscal year 2016.

(d) Other commitments

In December 2014, the Group has entered into an agreement with East Jiacheng to commit to contribute capital of \$1,455 into Jiacheng Advertising, a company invested by the Group and East Jiacheng. As of December 31, 2014, the Group had not yet contributed capital, which shall be payable within 50 years as is permitted under the current PRC laws.

In August 2015, the Group disposed its 30% interest in Jiacheng Advertising to AM Jinsheng (see Note 6) with no committed capital paid. Later in September 2015, AM Jinsheng was disposed to a third party. The capital injection obligation to Jiacheng Advertising was transferred out with the disposal.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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27. CONTINGENT LIABILITIES

(a) Outdoor advertisement registration certificate

On May 22, 2006, the State Administration for Industry and Commerce, or the SAIC, a governmental authority in the PRC, amended the Provisions on the Registration Administration of Outdoor Advertisements, or the new outdoor advertisement provisions. Pursuant to the amended outdoor advertisement provisions, advertisements placed inside or outside of the “departure halls” of airports are treated as outdoor advertisements and must be registered in accordance with the local SAIC by “advertising distributors”. To ensure that the Group’s airport operations comply with the applicable PRC laws and regulations, the Group is in the process of making inquiries with the local SAICs in the cities in which the Group has operations or intends to operate with respect to the application for an advertising registration certificate. However, the local SAICs with whom the Group consulted have expressed different views on whether the advertisements shown on the Group’s digital TV screens should be regarded as outdoor advertisements and how to register those advertisements. As of the date of these consolidated financial statements, the Group has registered and received outdoor advertising licenses for our advertisements in Beijing Capital International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao Airport, and Shenyang Taoxian International Airport, and Changchun Longjia International Airport, and registrations have been approved by the SAIC offices in four other cities and provinces where the Group has operations for advertisements in the airports of those regions. Some local SAICs need more time to consider the implementation of the new outdoor advertising provisions and some SAICs do not require the Group to register. The Group intends to register with the relevant SAICs if the Group is required to do so, but the Group cannot assure that the Group will obtain the registration certificate in compliance with the new outdoor advertisement provisions due to the uncertainty in the implementation and enforcement of the regulations promulgated by the SAIC. If the requisite registration is not obtained, the relevant local SAICs may require the Group to forfeit advertising income earned, impose administrative fines of up to \$5. They may also require the Group to discontinue advertisements at airports where the requisite advertising registration is not obtained, which may result in a breach of one or more of the Group’s agreements with the Group’s advertising clients and materially and adversely affect the Group’s business and results of operations. As of December 31, 2015, the Group did not record a provision for this matter as management believes the possibility of an adverse outcome of the matter is remote and any liability it may incur would not have a material adverse effect on its consolidated financial statements. However, it is not possible for the Group to predict the ultimate outcome and the possible range of the potential impact of failure to obtain such disclosed registrations and approvals primarily due to the lack of relevant data and information in the market in this industry in the past.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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27. CONTINGENT LIABILITIES - continued

(b) Approval for non-advertising content

A majority of the digital frames and digital TV screens in the Group's network include programs that consist of both advertising content and non-advertising content. On December 6, 2007, the State Administration of Radio, Film or Television, or the SARFT, a governmental authority in the PRC, issued the Circular regarding Strengthening the Management of Public Audio-Video in Automobiles, Buildings and Other Public Areas, or the SARFT Circular. According to the SARFT Circular, displaying audio-video programs such as television news, films and television shows, sports, technology and entertainment through public audio-video systems located in automobiles, buildings, airports, bus or train stations, shops, banks and hospitals and other outdoor public systems must be approved by the SARFT. The Group intends to obtain the requisite approval of the SARFT for the Group's non-advertising content, but the Group cannot assure that the Group will obtain such approval in compliance with this new SARFT Circular, or at all. In January 2014, the Group entered into a strategic alliance with China Radio International Oriental Network (Beijing) Co., Ltd ("CRION"), which manages the internet TV business of China International Broadcasting Network, to operate the CIBN-AirMedia channel for broadcast network TV programs to air travellers in China. According to the terms of the cooperation arrangement with CRION, during the cooperation period from March 28, 2014 to March 27, 2024, CRION shall obtain and, from time to time, be responsible for obtaining any approval, license and consent regarding the regulation of broadcasting and television from relevant authorities.

There is no assurance that CRION will be able to obtain or maintain the requisite approval or the Group will be able to renew the contract with CRION when they expire. If the requisite approval is not obtained, the Group will be required to eliminate non-advertising content from the programs included in the Group's digital frames and digital TV screens and advertisers may find the Group's network less attractive and be unwilling to purchase advertising time slots on the Group's network. As of December 31, 2015, the Group did not record a provision for this matter as management believes the possibility of adverse outcome of the matter is remote and any liability it may incur would not have a material adverse effect on its consolidated financial statements. However, it is not possible for the Group to predict the ultimate outcome and the possible range of the potential impact of failure to obtain such disclosed registrations and approvals primarily due to the lack of relevant data and information in the market in this industry in the past.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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27. CONTINGENT LIABILITIES - continued

(c) Class action

The Company and two of its officers were named as defendants in a putative securities class action filed on June 25, 2015 in the U.S. District Court for the Southern District of New York: Huang v. AirMedia Group Inc. et al., Civil Action No. 1:15-CV-04966-ALC (S.D.N.Y.). The complaint in this putative class action alleges that certain of the defendants' financial statements and other public statements and disclosures contained misstatements or omissions, including with respect to the alleged sale of an equity interest in the Company's advertising subsidiary, in violation the U.S. securities laws. The complaint states that plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their trading activities related to the Company's ADRs between April 15 and June 15, 2015, and alleges violations of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On November 10, 2015, the Court appointed China Xiayuan Transportation Co. Ltd. as the lead plaintiff and appointed a lead counsel. On January 15, 2016, the lead plaintiff filed an amended complaint, advancing similar allegations and claims as the previously filed complaint and seeking to represent a class of persons who allegedly suffered damages as a result of their trading activities related to the Company's ADRs between April 7 and June 15, 2015. On February 5, 2016, the Company filed a letter pursuant to the judge's individual practice rules, in which the Company identified the bases for its anticipated motion to dismiss the amended complaint and requested a pre-motion conference. On February 10, 2016, the lead plaintiff filed a letter in response to the Company's February 5, 2016 letter. On February 11, 2016, the court denied the request for a pre-motion conference, and ordered a briefing schedule. Consistent with the court's briefing schedule, on March 10, 2016, the Company and one of its officers (the "Filing Defendants") filed a motion to dismiss the amended complaint. On April 7, 2016, the lead plaintiff filed its opposition to the motion to dismiss. On April 21, 2016, the Filing Defendants filed a reply to the lead plaintiff's opposition. As of December 31, 2015, the Group did not record a provision for this matter as management believes the possibility of adverse outcome of the matter is remote and any liability it may incur would not have a material adverse effect on its consolidated financial statements.

The Group are not currently a party to, nor is it aware of, any other legal proceeding, investigation or claim which, in the opinion of its management, is likely to have a material adverse effect on its business, financial condition or results of operations. The Group may become subject to legal proceedings, investigations and claims incidental to the conduct of its business from time to time.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(In U.S. dollars in thousands, except share data or otherwise noted)

28. RELATED PARTY TRANSACTIONS

(a) Details of outstanding balances with the Group's related parties as of December 31, 2014 and 2015 were as follows:

Amount due from related parties:

Name of related parties	Relationship	As of December 31,	
		2014	2015
Dayun Culture (1)	Invested by management of the Group	\$ 796	\$ 233
Beijing AirMedia Advertising Co., Ltd. ("AM Jinshi") (2)	Wholly-owned subsidiary of equity method investee	-	1,182
Beijing AirMedia Lianhe Advertising Co., Ltd. ("AirMedia Lianhe") (2)	Wholly-owned subsidiary of equity method investee	-	615
AirMedia City (Beijing) Outdoor Advertising Co., Ltd. ("AM Outdoor") (2)	Wholly-owned subsidiary of equity method investee	-	360
Beijing AirMedia Jinshi Advertising Co., Ltd. ("TianJin Jinshi") (2)	Wholly-owned subsidiary of equity method investee	-	362
BEMC (3)	Equity method investee	157	-
		<u>\$ 953</u>	<u>\$ 2,752</u>

- (1) The amounts due from Dayun Culture represent the unreceived consideration of \$796 and \$233 for selling 20% of equity interests in AirMedia Lianhe as of December 31, 2014 and 2015.
- (2) The amounts due from AM Jinshi, AirMedia Lianhe, AM Outdoor and TianJin Jinshi represents the amount of concession using fees receivable as of December 31, 2015.
- (3) The amounts due from BEMC represent the uncollected advertising revenues earned from BEMC as of December 31, 2014.

AIRMEDIA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(In U.S. dollars in thousands, except share data or otherwise noted)

28. RELATED PARTY TRANSACTIONS - continued

(b) Details of outstanding balances with the Group's related parties as of December 31, 2014 and 2015 were as follows:

Amount due to related parties:

Name of related parties	Relationship	As of December 31,	
		2014	2015
AirTV United (1)	Wholly-owned subsidiary of equity method investee	\$ -	\$ 296
AM Advertising (2)	Equity method investee	-	15,093
		<u>\$ -</u>	<u>\$ 15,389</u>

(1) The amounts due to AirTV United raised from the restructuring before the disposal as disclosed in Note 3.

(2) The amounts due to AM Advertising mainly represent the concession fee payables for using concessions owned by AM Advertising, unpaid loans incurred before the disposal and related interests due to AM Advertising as of December 31, 2015.

(c) Details of related party transactions for the years ended December 31, 2013, 2014 and 2015 were as follows:

Revenues earned from:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
BEMC	Equity method investee	\$ 681	\$ -	\$ -
AM Jinshi (1)	Wholly-owned subsidiary of equity method investee	-	-	278
AM Advertising (1)	Equity method investee	-	-	2
		<u>\$ 681</u>	<u>\$ -</u>	<u>\$ 280</u>

Concession cost purchased from:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
AM Jinshi (1)	Wholly-owned subsidiary of equity method investee	-	-	2
AM Advertising (1)	Equity method investee	-	-	142
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(In U.S. dollars in thousands, except share data or otherwise noted)

28. RELATED PARTY TRANSACTIONS - continued

(c) Details of related party transactions occurred, for the years ended December 31, 2013, 2014 and 2015 were as follows - continued:

Equity transaction with related parties:

Name of related parties	Relationship	For the years ended December 31		
		2013	2014	2015
Dayun Culture (2)	Invested by management of the Group	\$ -	\$ 2,766	\$ -
		<u>\$ -</u>	<u>\$ 2,766</u>	<u>\$ -</u>

- (1) Entities in continuing operations sold some concession in certain airports to discontinued operation. Also continuing operations purchased some concession in certain airports from discontinued operation after the disposal.
- (2) In August 2014, the Group sold 20% equity interest in AirMedia Lianhe, a wholly-owned subsidiary, to Dayun Culture, with a consideration of \$2,766.

29. SUBSEQUENT EVENTS

In May 2016, the Group received a written confirmation to confirm that none of the triggering events occurred which may have required the Company to repurchase its disposed equity interest in AM Advertising, as disclosed in Note 3. Accordingly, no related put option right remained outstanding.

AIRMEDIA GROUP INC.

**ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS**

(In U.S. dollars in thousands, except share related data or otherwise noted)

	As of December 31,	
	2014	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 2,029	\$ 332
Amount due from subsidiaries	178,347	179,619
Other current assets	556	1,369
Total current assets	<u>180,932</u>	<u>181,320</u>
Non-current assets		
Investment in subsidiaries	71,023	205,501
TOTAL ASSETS	<u>251,955</u>	<u>386,821</u>
Liabilities		
Current liabilities		
Amount due to subsidiaries	3,135	-
Accrued expenses and other current liabilities	84	253
Total liabilities	<u>3,219</u>	<u>253</u>
Equity		
Ordinary Shares (\$0.001 par value; 900,000,000 shares authorized in 2014 and 2015; 127,662,057 shares and 127,662,057 shares issued as of December 31, 2014 and 2015, respectively; 119,942,413 shares and 124,395,645 shares outstanding as of December 31, 2014 and 2015, respectively)	128	128
Additional paid in capital	323,167	317,414
Treasury stock (7,719,644 and 3,266,412 shares as of December 31, 2014 and 2015, respectively)	(9,236)	(3,778)
Accumulated deficits	(99,138)	49,876
Accumulated other comprehensive income	33,815	22,928
Total equity	<u>248,736</u>	<u>386,568</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 251,955</u>	<u>\$ 386,821</u>

AIRMEDIA GROUP INC.

**ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF OPERATIONS
(In U.S. dollars in thousands)**

	For the years ended December 31,		
	2013	2014	2015
Operating expenses			
Selling and marketing	\$ -	\$ (144)	\$ -
General and administrative	(2,239)	(1,676)	(2,070)
Total operating expenses	(2,239)	(1,820)	(2,070)
Investment (loss) income in subsidiaries	(8,387)	(23,875)	151,717
Net (loss) income attributable to holders of ordinary shares	\$ (10,626)	\$ (25,695)	\$ 149,647

AIRMEDIA GROUP INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
 FINANCIAL INFORMATION OF PARENT COMPANY
 STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
 (In U.S. dollars in thousands)

	For the years ended December 31,		
	2013	2014	2015
Net (loss) income	\$ (10,626)	\$ (25,695)	\$ 149,647
Other comprehensive income (loss), net of tax:			
Change in cumulative foreign currency translation adjustment	7,281	(6,414)	(10,887)
Comprehensive (loss) income attributable to Parent Company	\$ (3,345)	\$ (32,109)	\$ 138,760

AIRMEDIA GROUP INC.

**ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CHANGES IN EQUITY
(In U.S. dollars in thousands, except share related data or otherwise noted)**

	Ordinary shares		Additional paid in capital	Treasury stock	(Accumulated deficits) retained earnings	Accumulated other comprehensive income	Total equity
	Shares	Amount					
Balance as of January 1, 2013	<u>122,112,485</u>	<u>\$ 128</u>	<u>\$ 278,652</u>	<u>\$ (7,035)</u>	<u>\$ (62,817)</u>	<u>\$ 32,948</u>	<u>\$ 241,876</u>
Ordinary shares issued for share based compensation	18,400	-	-	21	-	-	21
Share repurchase as treasury stock	(2,996,750)	-	-	(2,846)	-	-	(2,846)
Share-based compensation	-	-	1,251	-	-	-	1,251
Foreign currency translation adjustment	-	-	-	-	-	7,281	7,281
Capital contribution from non-controlling interests	-	-	39,825	-	-	-	39,825
Acquisition of non-controlling interests	-	-	(5,816)	-	-	-	(5,816)
Net loss	-	-	-	-	(10,626)	-	(10,626)
Balance as of December 31, 2013	<u>119,134,135</u>	<u>\$ 128</u>	<u>\$ 313,912</u>	<u>\$ (9,860)</u>	<u>\$ (73,443)</u>	<u>\$ 40,229</u>	<u>\$ 270,966</u>
Ordinary shares issued for share based compensation	808,278	-	-	624	-	-	624
Share-based compensation	-	-	1,359	-	-	-	1,359
Foreign currency translation adjustment	-	-	-	-	-	(6,414)	(6,414)
Capital contribution from non-controlling interests	-	-	6,463	-	-	-	6,463
Disposal of equity interests of AM Film and AirMedia Lianhe	-	-	1,433	-	-	-	1,433
Net loss	-	-	-	-	(25,695)	-	(25,695)
Balance as of December 31, 2014	<u>119,942,413</u>	<u>\$ 128</u>	<u>\$ 323,167</u>	<u>\$ (9,236)</u>	<u>\$ (99,138)</u>	<u>\$ 33,815</u>	<u>\$ 248,736</u>
Ordinary shares issued for share based compensation	4,453,232	-	-	5,458	(633)	-	4,825
Share-based compensation	-	-	598	-	-	-	598
Foreign currency translation adjustment	-	-	-	-	-	(10,887)	(10,887)
Net income	-	-	-	-	149,647	-	149,647
Capital contribution from non-controlling interests	-	-	271	-	-	-	271
Capital contribution to Guangzhou Meizheng	-	-	(459)	-	-	-	(459)
Purchase the non-controlling interest in subsidiary AirMedia Lianhe	-	-	(6,163)	-	-	-	(6,163)
Balance as of December 31, 2015	<u>124,395,645</u>	<u>\$ 128</u>	<u>\$ 317,414</u>	<u>\$ (3,778)</u>	<u>\$ 49,876</u>	<u>\$ 22,928</u>	<u>\$ 386,568</u>

AIRMEDIA GROUP INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CASH FLOWS
(In U.S. dollars in thousands)

	For the years ended December 31,		
	2013	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	\$ (10,626)	\$ (25,695)	\$ 149,647
Investment loss (income) in subsidiaries	8,387	23,875	(151,717)
Share-based compensation	1,251	1,359	598
CHANGES IN WORKING CAPITAL ACCOUNTS			
Other current assets	444	(221)	(813)
Accounts payable	-	-	-
Accrued expenses and other current liabilities	(3)	(308)	169
Amount due to subsidiaries	3,231	(517)	(3,135)
Amount due from subsidiaries	(41)	2,898	(1,272)
Net cash provided by (used in) operating activities	2,643	1,391	(6,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash paid for treasury stock	(2,846)	-	-
Proceeds from exercises of stock options	21	624	4,826
Net cash (used in) provided by financing activities.	(2,825)	624	4,826
Net (decrease)/increase in cash	(182)	2,015	(1,697)
Cash, at beginning of year	196	14	2,029
Cash, at end of year	<u>\$ 14</u>	<u>\$ 2,029</u>	<u>\$ 332</u>

AIRMEDIA GROUP INC.

NOTES TO ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I
FINANCIAL INFORMATION OF PARENT COMPANY
(In U.S. dollars in thousands)

Notes:

1. **BASIS FOR PREPARATION**

The condensed financial information of the parent company, AirMedia Group Inc., only has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the parent company has used equity method to account for its investment in its subsidiaries, AM Technology, Shenzhen AM, Xi'an AM, and its VIEs, AirMedia Shengshi, Jiaming Advertising, AM Yuehang and AM Online, and VIEs' subsidiaries, AM Film, Flying Dragon, AM Wenzhou, Hainan Jinhui, Dongding, GreatView Media, Guangzhou Meizheng, AM Tianyi, Guangzhou Xinyu, Guangzhou Tech, AM Mobile, AMHL Mobile, AM Jiaming, and the eleven-months' financial information from discontinued operations, AM Advertising and its subsidiaries AM Jinshi, Tianjin Jinshi, AM Outdoor, AirMedia Lianhe, AirTV United and Jiangxi AM.

2. **INVESTMENTS IN SUBSIDIARIES AND VARIABLE INTEREST ENTITIES**

The Company, its subsidiaries, its VIEs and VIEs' subsidiaries are included in the consolidated financial statements where the inter-company balances and transactions are eliminated upon consolidation. For the purpose of the Company's stand-alone financial statements, its investments in subsidiaries, VIEs and VIEs' subsidiaries are reported using the equity method of accounting. The Company's share of income and losses from its subsidiaries, VIEs and VIEs' subsidiaries is reported as earnings from subsidiaries, VIEs and VIEs' subsidiaries in the accompanying condensed financial information of parent company.

3. **INCOME TAXES**

The Company is a tax exempted company incorporated in the Cayman Islands.

Equity Interest Transfer Agreement

In respect of AirMedia Group Co., Ltd.

This Equity Interest Transfer Agreement in respect of AirMedia Group Co., Ltd. (hereinafter referred to as the “**Agreement**”) is entered by the following Parties on June 15th, 2015 in Beijing, PRC.

1. AirMedia Group Inc. (“**AirMedia**”) is a company incorporated and lawfully subsists under the laws of the Cayman Islands and listed on NASDAQ, Nasdaq symbol: AMCN.
2. AirMedia Technology (Beijing) Co., Ltd. (the “**AirMedia Technology**”) is a company incorporated and lawfully subsists under the laws of the PRC, with Business License number 110000410272072, and the registered address is Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing, the legal representative is Guo Man.
3. Beijing AirMedia Shengshi Advertising Co., Ltd. (the “**AirMedia Shengshi**” or the “**Seller**”) is a company incorporated and lawfully subsists under the laws of the PRC, with Business License number 110104002566818, and the registered address is 1-0361 F1, Building No. 22, Xuanwumen East Avenue, Xuanwu District, Beijing, the legal representative is Guo Man.
4. Guo Man, PRC citizen, ID number _____, address _____.
5. Beijing Longde Wenchuang Investment Fund Management Co., Ltd. (the “**Longde Wenchuang**”) is a company incorporated and lawfully subsists under the laws of the PRC, with Business License number 110101017080943, the registered address is No.11116, Building 37, Hepingli East Avenue No.11, Dongcheng District, Beijing, the legal representative is Xing Hongwang.

(The above parties are respectively referred to as a Party, together referred to as Parties under this Agreement, among them, AirMedia, AirMedia Technology, AirMedia Shengshi and Guo Man are on one side and Longde Wenchuang and Longde Wenchuang Fund are on the other side of this transaction.)

Definition

Unless otherwise defined in this Agreement, the following words shall have the following meanings:

“Target Company” or “AirMedia Advertising” means AirMedia Group Co., Ltd.

“AirMedia Shengshi” means Beijing AirMedia Shengshi Co., Ltd.

“AirMedia” means AirMedia Group Inc., a company listed on NASDAQ

“AM China” means AirMedia (China) Limited, subsidiary indirectly controlled by AirMedia

“Shenzhen AirMedia” means Shenzhen AirMedia Information Technology Co., Ltd., wholly-owned subsidiary of AM China

“AirMedia Jinshi” means Beijing AirMedia Advertising Co., Ltd., wholly-owned subsidiary of the Target Company

“AirMedia Lianhe” means Beijing AirMedia Lianhe Advertising Co., Ltd., wholly-owned subsidiary of the restructured Target Company

“AirMedia Outdoor” means AirMedia City (Beijing) Outdoor Advertising Co., Ltd., wholly-owned subsidiary of the Target Company

“Tianjin Jinshi” means Tianjin AirMedia Advertising Co., Ltd., grandson company of the Target Company

“Guangxi Dingyuan” means Guangxi Dingyuan Media Limited Liability Company, shareholding company of the Target Company

“Qingdao AirMedia” means Qingdao Airport AirMedia Media Co., Ltd., shareholding company of the Target Company

“AirMedia Jinsheng” means Beijing AirMedia Jinsheng Advertising Co., Ltd., shareholding company of AirMedia Jinshi

“AirMedia Technology” means AirMedia Technology (Beijing) Co., Ltd., wholly-owned subsidiary of AM China

“Xi’an AirMedia” means Xi’an AirMedia Chuangyi Technology Co., Ltd., wholly-owned subsidiary of AM China

“AirMedia Yuehang” means Beijing Yuehang Digital Media Advertising Co., Ltd.

“Dayun Culture” means Beijing Dayun Culture Communication Co., Ltd.

“Longde Wenchuang” means Beijing Longde Wenchuang Investment Fund Management Co., Ltd.

“Longde Wenchuang Fund” or “the Buyer” means private investment fund established/ intends to be established/appointed by Longde Wenchuang

“Existing Shareholder” means AirMedia Shengshi, Guo Man, Xu Qing, Zhang Xiaoya collectively

“Seller” means AirMedia Shengshi

“This Equity Interest Transfer” or “This Transaction” means a private investment fund established/ intends to be established/appointed by Longde Wenchuang to purchase the 75% equity interest held by AirMedia Shengshi in AirMedia Advertising by fund actually raised

“Target Business” or “New AirMedia Advertising Business” means AirMedia Advertising’s media business in airports (excluding Digital TV screens in airports and TV-attached digital frames) and all the billboard and LED media outside of airports (excluding gas station media network and digital TV screens on airplanes) after the assets, business, equity interest and personnel restructure under this Agreement

“New AirMedia Advertising” means AirMedia Advertising after the assets, business, equity interest and personnel restructure under this Agreement, including its holding subsidiaries /shareholding companies AirMedia Jinshi, AirMedia Lianhe, AirMedia Outdoor, Tianjin Jinshi, Guangxi Dingyuan, Qingdao AirMedia

“Target Equity” means 75% equity interest held by AirMedia Shengshi in AirMedia Advertising

“Closing of the Transfer of Equity” means the related registration formality of the transferring the equity to the equity transferee in accordance with the law and regulations where the Target Company registered, in PRC it means the change in business registration with Administration for Industry and Commerce

“Covered Period” means Year 2015, 2016, 2017 and 2018

“Restructuring Audit Cut-off Date” means the last day of the month on completion of removal of the VIE structure of AirMedia Advertising and the restructure of assets, equity interest and personnel apart from which set forth in Article 4.1 of this Agreement

“Removal of the VIE structure of AirMedia Advertising” means AirMedia Technology, AirMedia Advertising and its existing shareholders (AirMedia Shengshi, Guo Man, Xu Qing, Zhang Xiaoya) terminate the VIE agreements controlling AirMedia Advertising, including, but not limited to, Loan Agreement, Technology Development Agreement, Technology Support and Service Agreement, Equity Pledge Agreement, Call Option Agreement, Power of Attorney and their amended and restated agreements, and released the equity pledge registration; Shenzhen AirMedia has completed business registration of enlarging business scope with advertising business, and purchased 25% equity interest AirMedia Shengshi, Guo Man, Xu Qing, Zhang Xiaoya hold in AirMedia Advertising collectively, and completed all necessary formalities such as permit, change of business registration

“VIE Agreements” means agreements entered by AirMedia Technology, AirMedia Advertising and its existing shareholders (AirMedia Shengshi, Guo Man, Xu Qing, Zhang Xiaoya) controlling AirMedia Advertising, including, but not limited to, Loan Agreement, Technology Development Agreement, Technology Support and Service Agreement, Equity Pledge Agreement, Call Option Agreement, Power of Attorney and their amended and restated agreements

“Transition Period” means the period from the execution date of this Agreement till June 30, 2016

“Agreement” means Equity Interest Transfer Agreement in respect of AirMedia Group Co., Ltd. and its supplement agreement, annexes attached and ect.

“Constitutional Documents” means the division of authority/power related to the government, governmental requirements of the constitutional documents and decision making, article of association, business license, permission certificate, shareholder agreement, or the equivalent management or constitutional documents of the company

“Encumbrance” means defect of ownership such as lien, mortgage, security right and interest, pledge, seal up, freeze or transfer limitation or other right claim, burden, or flaw in any nature set on any asset or asset right and interest, including any limitation on using, voting, transfer limiting of obtained revues, and on exercising the ownership in other measures.

“Losses” means any and all claim, deficiency, indebtedness, compensation (including penalty, fine and administrative, criminal or civil verdict or settlement), expenses and costs (including reasonable legal fees, financial fee and consulting fee)

“China” means People’s Republic of China, shall not including Hong Kong Special Administrative Region, China, Macau Special Administrative Region, China, and Tai Wan District

“Laws of the PRC” means the current effective laws, Administrative regulations, administrative rules and regulations, and normative documents of China

“RMB” means RMB Yuan, the legal tender in China

Whereas:

1. AirMedia Group Co. Limited (the “**AM Advertising**”) is a limited liability company incorporated and lawfully subsists under the laws of the PRC with registered capital of RMB50,000,000.00. As of the execution date of this Agreement, the current equity structure of AirMedia Advertising is as follows: 96.76% of the equity interest being held by AirMedia Shengshi; 2.833% by Guo Man; 0.241% by Xu Qing; and 0.166% by Zhang Xiaoya.
2. AirMedia is a company incorporated and lawfully subsists under the laws of the Cayman Islands and listed on the NASDAQ, its actual controller is Mr. Guo Man. AirMedia controls AirMedia Advertising, AirMedia Shengshi and two other PRC-incorporated companies via its wholly foreign-owned enterprise AirMedia Technology by means of VIE structure.
3. AirMedia Advertising intends to take over all AirMedia’s media business in airports (excluding Digital TV screens in airports and TV-attached digital frames) and all the billboard and LED media outside of airports (excluding gas station media network and digital TV screens on airplanes) (the “**Target Business**” or “**New AirMedia Advertising Business**”) and the related assets, equity interest and personnel under AirMedia Advertising or its subsidiaries, and to spin off its business, assets, equity interest and personnel which are non-New AirMedia Advertising Business (the “**Internal Restructuring of AirMedia Advertising**”). Furthermore, AirMedia and AirMedia Technology intend to terminate the VIE structure among them and AirMedia Advertising, and Shenzhen AirMedia will hold 25% equity interest of AirMedia Advertising (the “**Removal of the VIE structure of AirMedia Advertising**”).
4. Longde Wenchuang is a private equity fund management company registered with the China Securities Investment Fund Association. It has established/ intends to establish or appoint a private investment fund (the “**Longde Wenchuang Fund**”) which will be with the fund actually raised, the transferee of the 75% equity interest held by AirMedia Shengshi in AirMedia Advertising.
5. Shenzhen AirMedia is a wholly foreign-owned enterprise incorporated and lawfully subsists under the laws of the PRC with registered capital of RMB700,000,000.00. Its sole shareholder AM China holds 100% equity interest of it. Shenzhen AirMedia intends to be the transferee of 25% equity interest of AirMedia Advertising.
6. After the transfer of equity interest of AirMedia Advertising to Longde Wenchuang Fund, AirMedia Advertising will be seeking to, via subsequent capital operation, be acquired by a PRC listed company/ an unlisted public company in National Equities Exchange and Quotations (the “**NEEQ**”), or launch an independent IPO/NEEQ listing (the “**Capital Operation**”).

NOW, THEREFORE, Parties, through amicable negotiations, hereby agree in respect of the transfer of equity interest of AirMedia Advertising and the relevant matters as follows: 1 Transaction and Consideration

- 1.1 All Parties acknowledge and agree, AirMedia Shengshi agrees to sell 75% of the equity in AirMedia Advertising to Longde Wenchuang Fund, which reflects AirMedia Advertising’s registered capital of RMB 37,500,000.00. Before or after the Transaction, Longde Wenchuang is entitled to request AirMedia Shengshi to complete relevant restructuring under the terms of this Agreement.
- 1.2 All Parties agree, the consideration of the Transaction is RMB 2,100,000,000.00, which is calculated on the basis of 2015 year audited net profit before or after adjustment for non-recurring gains and losses, whichever is less (net profit before restructure audit cut-off date is calculated in accordance with stimulated profit from amalgamation, net profit after restructure audit cut-off date is calculated in accordance with estimated profit from amalgamation), in relation to the Target Business, which is RMB 200,000,000.00 and 14 times price earnings ratio.
- 1.3 After this Transaction, Longde Wenchuang Fund will hold 75% equity of AirMedia Advertising (reflecting AirMedia Advertising’s registered capital of RMB 37,500,000.00).

2 The Payment for Consideration of Equity Interest Transfer

- 2.1 All Parties agree that the consideration will be paid in following two installments:
-

2.1.1 The first installment payment

The first installment payment of RMB 800,000,000.00 is required to be paid by Longde Wenchuang Fund to AirMedia Shengshi within 15 working days after the execution of this Agreement and the fulfillment, or the right to waive by Longde Wenchuang Fund, of following conditions precedent:

- 1) AirMedia Advertising has completed the equity restructuring in accordance with Article 4.3.1 hereunder.
- 2) The key management members of AirMedia Advertising (as set forth in Annex 1) shall each have entered into an employment contract for a term of five years or more (starting from the execution date of this Agreement), and a confidentiality and non-competition letter agreement for a term of two years in and after the termination of employment (as set forth in Annex 2), undertaking that in any time after the execution of this Agreement, they shall not (within and outside of PRC), directly or indirectly operate, own, purchase, engage in identical or same business or activities of New AirMedia Advertising Business through other direct or indirect controlling business entities, individuals; they shall not have any position or be employed as consultant, partner, shareholder, investor, management officer, employee in any company or other business entity which have or may have competing business with New AirMedia Advertising Business, or have direct economical exchange with AirMedia Advertising, or obtain any interest; they shall not render in businesses that are identical or same, or that maybe identical or the same with AirMedia Advertising to the AirMedia Advertising's current client in a name other than AirMedia Advertising; AirMedia, its actual controller Guo Man and the related key members have entered into a non-competition agreement (as set forth in Annex 3), undertaking that in any time after the execution of this Agreement, they shall not, other than in AirMedia Advertising (within and outside of PRC), directly or indirectly operate, own, purchase, engage in identical or the same business or activities as New AirMedia Advertising Business through other direct or indirect controlling business entities, individuals; they shall not have any position or be employed as consultant, partner, shareholder, investor, manage officer, employee in any company or other business entity which have or may have competing business with New AirMedia Advertising Business, or have direct economical exchange with AirMedia Advertising, or obtain any interest; they shall not render in businesses that are identical or same, or that maybe identical or the same as AirMedia Advertising to the AirMedia Advertising's current client in a name other than AirMedia Advertising
- 3) The due diligence report and relevant legal opinions issued by a law firm hired by Longde Wenchuang after performing due diligence on AirMedia Advertising are acceptable to Longde Wenchuang;
- 4) The financial report issued by an accounting firm hired by the Longde Wenchuang after performing its due diligence on AirMedia Advertising is acceptable to the Longde Wenchuang;
- 5) AirMedia, AirMedia Technology, the existing shareholders of AirMedia Advertising and Longde Wenchuang have completed all necessary internal procedures and obtained approval to enter into and execute the relevant legal documents;
- 6) All Parties have signed all the necessary legal instruments related with the Transaction, including, but not limited to the Capital Contribution Transfer Agreement, the Amended Article of Association of AirMedia Advertising and shareholders' resolution of AirMedia Advertising and other documents for change in business registration;
- 7) Each Party undertakes the representation and warranties in this Agreement.

2.1.2 The second installment payment

Longde Wenchuang shall, subject to this Agreement, hire accountant to re-audit the restructured AirMedia Advertising. The second installment of RMB 1,300,000,000.00 is required to be paid by Longde Wenchuang Fund within 15 workings days after the recognition of audit report by Longde Wenchuang and the fulfillment of following conditions precedent:

- 1) The termination of the equity interest transfer agreement with Shenzhen LianTronics Corp. ("Liantronics") regarding the transfer of 5% equity of AirMedia Advertising to Liantronics;
- 2) 75% equity of AirMedia Advertising has been transferred to Longde Wenchuang Fund and completed change in business registration;
- 3) The removal of the VIE structure of AirMedia Advertising in accordance with Article 5.2 hereunder is completed and confirmed by legal and financial consultant hired by Longde Wenchuang;
- 4) After the restructuring, AirMedia Advertising is expected to own and operate all AirMedia's media business in airports (excluding Digital TV screens in airports and Digital Display Cabinet system) and all the billboard and LED media outside of airports (excluding gas station media network and digital TV screens on airplanes), including all the media resources, clients resources, team, and trademark related (collectively, the "Target Business"), and keep the independence of assets, business, employees and salaries of restructured AirMedia Advertising. After the restructuring, all AirMedia's businesses other than the Target Businesses, including assets and employees, will be transferred out of AirMedia Advertising and will not form part of the subject business under the Transaction;
- 5) As of the restructure audit cut-off date, the audited fixed assets net value shall not be less than RMB 150,000,000.00, net cash flow (cash and cash equivalent balance plus net value of operating activities receivables minus net value of operating activities payables) shall not be less than RMB 350,000,000.00 (monetary fund balance shall not be less than RMB 150,000,000.00 and the composition of net value of operating activities receivables and net value of operating activities payables shall be determined by management team), the audited net asset shall not be less than RMB 500,000,000.00; however, the asset as set forth in Article 4.1.3 shall not be included in the scope of the audit;
- 6) The completion of clearing outstanding receivables and payables among AirMedia Advertising, AirMedia and other affiliated parties (as set forth in Annex 4), the balance is expected to be zero (the recognition of affiliated parties shall be subject to the accountant report);
- 7) AirMedia Advertising, the Seller and other shareholders confirm and undertake that, as of restructure audit cut-off date, AirMedia Advertising has no significant violation of laws, regulations or breach of contracts;
- 8) Each Party undertakes the Representation and Warranties in this Agreement. The Seller undertakes that the above (1)-(6) conditions precedent shall be fulfilled no later than September 30, 2015.

2.2 All Parties agree to sign the Amended Article of Association of AirMedia Advertising, resolution of AirMedia Advertising, Capital Contribution Transfer Agreement and other instruments in order to complete the change in business registration. If it is not regulated in the Capital Contribution Transfer Agreement, or in case there is any conflicts between this Agreement and the Capital Contribution Transfer Agreement, this Agreement shall prevail.

3 Closing of the Transfer of Target Equity and Repurchase

3.1 Closing of the Transfer of the Target Equity

All Parties acknowledge and agree to complete the change in business registration of transferring 75% equity AirMedia Advertising to Longde Wenchuang Fund within 10 working days after the agreement to remove the VIE structure of AirMedia Advertising is executed between AirMedia Technology, AirMedia Advertising and its existing shareholders.

3.2 Gains and Losses in Transition Period

All Parties agree, from the execution date of this Agreement till the restructure audit cut-off date set forth in Article 2.1.1 (the “**Transition Period**”), day-to-day business shall be operated by the Seller and other existing shareholders. Any gains and losses during Transition Period shall be assigned to the Seller and other existing shareholders. After restructure audit cut-off date set forth in Article 2.1.1, Longde Wenchuang Fund and other shareholders are expected to share the equity interests on a pro rata basis.

3.3 Repurchase of the Target Equity

3.3.1 In case one of the following circumstance occurs, Longde Wenchuang is entitled to request Seller to repurchase the 75% equity interest in AirMedia Advertising held by Longde Wenchuang Fund:

- 1) the audited net profit (before or after adjustment for non-recurring gains and losses, whichever is less,) in relation to the Target Business (as such net profit is used in Article 1.2 hereof as a reference for the determination of the purchase price) is less than RMB150 million in 2015, i.e. 75% of committed profit, which is RMB 200 million;
- 2) eighty per cent of the concession right contracts (as calculated based on the contract subject amount) with respect to the Target Business in the area of the Beijing Capital Airport effective as of the date of this Agreement which were entered into by AirMedia Advertising, AirMedia and any of its subsidiaries and/or VIE companies (as set forth in detail in Schedule 6 hereto) are not renewed with AirMedia Advertising as a party to the contract upon the expiration of the respective contracts.
- 3) the internal restructuring as required under the equity transfer agreement has not been fully completed by June 30, 2016.

3.3.2 Repurchase price shall be calculated as follows:

Repurchase price= the Consideration× - equity compensation received by Longde Wenchuang Fund from other shareholders during the shareholding period “n” in the above formula means the duration in which Longde Wenchuang Fund holds the target equity, which is calculated from the date on which the first installment amount is paid by Longde Wenchuang Fund (paying in installments shall be calculated on installment as well) until the date Longde Wenchuang Fund has received the repurchase price (“n” shall be calculated up to month, e.g. “one year and three months”, then “n=1.25”).

3.3.3 Seller shall, within 30 working days after receiving written notice from Longde Wenchuang requesting repurchase and related industry and commerce authority documents in respect to the equity interest transfer signed by Longde Wenchuang Fund, complete the repurchase procedures (including completion of equity interest transfer registration and payment of repurchase price). In the event of late payment of repurchase price, Longde Wenchuang Fund is entitled to receive 5 /10,000 of outstanding repurchase price per day as overdue fees.

3.3.4 To guarantee the repurchase, Seller is obliged to impel other shareholders other than Longde Wenchuang Fund, within 15 working days after the second installment paid by Longde Wenchuang Fund, to pledge all their equity in AirMedia Advertising to Longde Wenchuang Fund, details as set forth in Annex 5, the Equity Interest Pledge Agreement.

4 Internal Restructuring of AirMedia Advertising

AirMedia Advertising shall carry out the following restructuring of its assets, business, equity interest and personnel in accordance with this Agreement:

4.1 Restructuring of Business

4.1.1 Principles of Business Restructuring

Unless otherwise set forth in Article 4.1.3, AirMedia Advertising, Air Media and its subsidiaries/ VIE companies shall, prior to June 30, 2016, transfer all of the Target Business as of the execution date of this Agreement to AirMedia Advertising, remove the non-Target Business from AirMedia Advertising, and complete the changes to any related business contracts. All Parties could negotiate for settlement in case of any special circumstances.

4.1.2 Transition Period of Business Restructuring

Considering there are some difficulties in changing the contractual party in relation to some Target Business or non-Target Business, all Parties acknowledge and agree, the costs and profits in relation to such Target Business or non-Target Business contracts shall, during the transition period of the business restructuring (namely, from the execution date of this Agreement till June 30, 2016, same below), be transferred to/from AirMedia Advertising by means of entrusted management. Such contracts shall be renewed by AirMedia Advertising or any other new entity as a contractual party the transition period.

4.1.3 Business at a Loss

All Parties agree that, since the LED, stand-alone digital frame business in Hohhot Airport, Shanghai Pudong Airport, and Dalian Airport and the traditional media business in Chengdu Airport, Shenyang Airport, and Xi'an airport are currently operated at a loss, if the aforementioned airport businesses could return to the black during the transition period, the aforementioned businesses shall remain with AirMedia Advertising; otherwise, the aforementioned business shall be removed from AirMedia Advertising on the expiry date of the transition period, and AirMedia Advertising reserves the right to acquire those business with zero consideration once the said businesses generate profits in the future.

4.1.4 Undertaking

Unless otherwise set forth in Article 4.1.3, after the consummation of the business restructuring, Guo Man, AirMedia and any other companies controlled by Guo Man shall not, other than via AirMedia Advertising, operate or directly or indirectly engage in any identical or similar business, or any business that competes or is likely to compete with the new AirMedia Advertising Business.

4.2 Restructuring of Assets

4.2.1 All Parties acknowledge and agree that AirMedia Advertising, Air Media and its subsidiaries/VIE companies shall, before the restructuring audit cut-off date, transfer all of the Target Business-related devices and assets (please refer to Annex 8 for detailed information) as of the execution date of this Agreement to AirMedia Advertising.

4.2.2 All Parties acknowledge and agree that, AirMedia Technology authorizes AirMedia Advertising to exclusively utilize the following trademarks in relation to the New AirMedia Advertising Business (please refer to Annex 9 for a list of such trademarks) on a gratuitous and long-term basis: trademarks with registration number of 6535799, 6535800, 6591339, 6590737, 4937924, 5161459, 5161461, and 5161460. AirMedia Technology shall apply for renewal of such trademarks prior to their expiry dates in order to keep their validity.

Guo Man, AirMedia and AirMedia Technology agree that, during the course of the capital operation of AirMedia Advertising, the trademarks with registration number of 6535799, 6535800, 5161459, 5161461, and 5161460 in relation to the New AirMedia Advertising Business shall be transferred to AirMedia Advertising on a gratuitous basis, in order to keep the independence of AirMedia Advertising's assets.

4.2.3 All Parties acknowledge and agree that all softwares and hardware devices of the advertising broadcasting and controlling system platform (please refer to Annex 10 for detailed information) owned by AirMedia Technology in relation to the operation of the Target Business shall be transferred to AirMedia Advertising.

4.2.4 AirMedia shall confirm, promise and undertake that, apart from Articles 4.2.1, 4.2.2 and 4.2.3 above, AirMedia and its subsidiaries/VIE companies do not own any other asset relating to the Target Business; otherwise such assets shall be transferred to AirMedia Advertising on a gratuitous basis.

4.3 Restructuring of Equity Interest

4.3.1 All Parties acknowledge and agree that AirMedia Advertising shall, before June 15, 2015, complete the transfer of the equity interests it holds in Beijing AirMedia Tianyi Information Technology Co., Ltd., Beijing AirMedia Film & TV Culture Co, Ltd., Wenzhou AirMedia Advertising Co., Ltd., Beijing Air Media UC Advertising Co., Ltd., Beijing Xinghe Union Film & TV Culture Co., Ltd., Flying Dragon Media Advertising Co., Ltd., Beijing AirMedia Jiaming Film & TV Culture Co., Ltd. , Beijing AirTV United Media & Culture Co., Ltd., and the fulfill the formalities in relation to the change in business registration with Administration for Industry and Commerce.. Since the other shareholder of Beijing AirTV United Media & Culture Co., Ltd. has been wound up, the transfer of equity interest in this regard shall be carried out by bringing litigation. The filing date with the court shall be prior to June 15, 2015.

4.3.2 All Parties acknowledge and agree that AirMedia Advertising shall complete the transfer of the equity interests it holds in Beijing Yunxing Chuangrong Investment Fund Management Co. Ltd., Zhangshangtong Air Service (Beijing) Co. Ltd. and Beijing Eastern Airlines Media Corp., and fulfill the formalities in relation to the change in business registration with Administration for Industry and Commerce.

4.3.3 All Parties acknowledge and agree that AirMedia Advertising shall, before July 31, 2015, complete the purchase of 100% equity interest in Beijing AirMedia Lianhe Advertising Co., Ltd. from Beijing Yuehang Digital Media Advertising Co. Ltd. and Dayun Culture, and fulfill the formalities in relation to the change in business registration with Administration for Industry and Commerce.

4.3.4 All Parties acknowledge and agree that AirMedia Jinshi shall transfer all equity interest it holds in Tianjin Jinshi to AirMedia Advertising,. AirMedia Advertising shall newly establish a wholly owned subsidiary to maintain AirMedia Advertising's nature as a group company.

4.3.5 All Parties acknowledge and agree, that AirMedia Jinshi shall transfer all equity interest it holds in Beijing AirMedia Jinsheng Advertising Co., Ltd. to a third party which has no affiliated relationship with Guo Man or any entities that are actually controlled by him; AirMedia shall procure and undertake that Beijing Air Media UC Advertising Co., Ltd. will transfer all equity interest it holds in Beijing AirMedia Jiacheng Media Advertising to a third party which has no affiliated relationship with Guo Man or any entities that are actually controlled by him.

4.4 Restructuring of Personnel

4.4.1 All Parties acknowledge and agree that, in order to maintain the independence of personnel and in consideration of the principle of "personnel following the business" and costs, AirMedia Advertising shall take over the Target Business-related personnel (please refer to Annex 1 for detailed information), and remove the non- Target Business personnel from AirMedia Advertising. AirMedia shall be responsible for placing such personnel at other affiliated entities.

4.4.2 To maintain the stability of the key personnel, each key personnel shall enter into an employment contract for a term no less than five years with AirMedia Advertising which shall include a non-compete clause.

5 The Removal of the VIE Structure of AirMedia Advertising

5.1 AirMedia, Shenzhen AirMedia, AirMedia Technology, AirMedia Advertising and its existing shareholders shall lawfully remove the VIE control of AirMedia Advertising, and ensure the removal will not hinder this equity interest transfer and future capital operation of AirMedia Advertising. AirMedia Advertising and its existing shareholders are obliged to solve and bear the related legal liability with respect to any obstacle incurred in AirMedia Advertising's future capital operation due to the legal, tax, and other defects in the process of VIE removal, AirMedia, Shenzhen AirMedia, AirMedia Technology.

5.2 AirMedia, Shenzhen AirMedia, AirMedia Technology, AirMedia Advertising and its existing shareholders shall complete the removal of the VIE structure of AirMedia Advertising within 45 working days from the payment date of the first installment set forth in Article 2.1.1, i.e., when AirMedia Technology, AirMedia Advertising and its existing shareholders (AirMedia Shengshi, Guo Man, Xu Qing and Zhang Xiaoya) terminate the VIE agreement controlling AirMedia Advertising and release the equity pledge registration; and Shenzhen AirMedia shall complete business registration of enlarging business scope with advertising business, and purchase 25% equity interest AirMedia Shengshi, Guo Man, Xu Qing, Zhang Xiaoya hold in AirMedia Advertising collectively, and complete all necessary formalities such as permit, change of business registration and etc.

6 Target Profit, Compensation and Bonus Arrangement

6.1 All Parties acknowledge and agree that the audited net profit, calculated before or after adjustment for non-recurring gains and losses, whichever is less, of New AirMedia Advertising in each of the fiscal years of 2015, 2016, 2017, and 2018 (collectively, the "**Covered Period**") is no less than RMB 200,000,000.00, RMB 240,000,000.00, RMB 288,000,000.00 and RMB 331,200,000.00 respectively.

In the event that net profit exceeds the abovementioned target net profit in the current year, the exceeding part will be calculated into the target net profit of next fiscal year automatically.

6.2 Compensation

6.2.1 In the event that the net profit audited by an accounting firm audited by the PRC Securities and Future Intermediaries, which is recognized by all Parties, is less than the aforementioned target net profit, all shareholders of AirMedia Advertising, excluding the Buyer and AirMedia Shengshi (hereinafter referred to as "Profit Target Party") shall first compensate the Buyer by transferring their remaining equity interests in AirMedia Advertising to the Buyer for nil consideration, and the compensation each year is calculated as follows:

The accrued compensated equity interest percentage of any given period = (the aggregate net target profit as of the end of such period - the aggregate net profit gained as of the end of such period) / 10.592 - the equity interest percentage already compensated.

In the event that the accrued compensation equity interest percentage of the period is less than 0, it shall be deemed as 0, i.e., the already compensated equity interest percentage will not be transferred back.

6.2.2 In the event that the equity interest amount is not enough to make full compensation, the insufficient part of compensation shall be compensated in cash by Profit Target Party based on the following formula: The accrued compensated amounts in cash of the given period = [(the aggregate target net profit as of the end of such period - the aggregate net profit gained as of the end of that period) ÷ 10.592 - 25%] × Consideration of 100% equity interest of AirMedia Advertising (i.e., RMB 2,800,000,000.00) - the compensated amount in cash.

For the avoidance of any doubt, the aforementioned "the aggregate target net profit as of the end of such period" and "the aggregate net profit gained as of the end of such period" shall include the amounts of the aggregate net profit target or actual net profit gained from 1st January, 2015 to 31st December of the year to be compensated.

In the event that the accrued compensated amounts of year is less than 0, it shall be regarded as 0, i.e., the actual compensated amounts will not be refunded.

6.2.3 All Parties acknowledge and agree that AirMedia shall bear joint and several liability of the aforementioned compensation obligation of the Profit Target Party.

6.2.4 In the event that, during Covered Period, AirMedia Advertising is acquired by a listed company in the Chinese A-share market of the stock exchanges or National Equities Exchange and Quotations NEEQ, all equity interest compensation, if applicable, shall be rendered in cash after such acquisition.

6.2.5 No matter in whichever circumstances, the amount of the aforementioned compensations by the Profit Target Party is limited to the total amount of the equity interests held by the Target Party and the Consideration received for the transaction contemplated herein.

6.3 Bonus Arrangements

6.3.1 In the event that sum of the net profit of new AirMedia Advertising in aggregate in the Covered Period exceeds the target net profit in aggregate in the Covered Period (*i.e.*, RMB 1,059,200,000.00), the net profit in excess will be allocated as follows:

New AirMedia Advertising will allocate 50% of the surplus of the net profit in the Covered Period to the members of the management team of the AirMedia Advertising who are holding offices at the expiration date of last year of Covered Period, detailed bonus standard, scope and allocation measure within such surplus part, shall be determined by the board of directors of the New AirMedia Advertising.

Amount of total bonus=(the aggregate sum of the actual net profit in each year of the Covered Period- the total target net profit in the Covered Period, *i.e.*, RMB1,059,200,000.00) ×50%.

Time of the payment for such bonus: Longde Wenchuang shall, within 20 working days after the end of each quarter starting from the first quarter of the first year after of the expiration of Covered Period, verify the collection situation of New AirMedia Advertising's receivables as of the said quarter and determine the amount of bonus accordingly. And New AirMedia Advertising shall, within 30 working days after the end of each quarter, allocate bonus to the management team of the New AirMedia Advertising who are holding offices at the expiration date of the last year of Covered Period until the total amount of the bonus is fully allocated.

Bonus of the quarter=total amounts of bonus×(the amount of net receivables collected in aggregate as of the end of the quarter which is confirmed by the audit report made in the last year of the Covered Period- net receivables collected in aggregate as of the end of last quarter which is confirmed by the audit report made in the last year of the Covered Period) ÷net book value of receivables confirmed by the audit report confirmed in the last year of the Covered Period.

In the event that the accrued bonus of the current quarter in aggregate exceeds the total amount of bonus, the amount in excess is allocated to New AirMedia Advertising.

7 Corporate Governance

7.1 Board of Directors

All Parties agree that, after receiving the first settlement payment from Longde Wenchuang Fund, the board of directors in AirMedia Advertising shall be composed of five Directors, three of them will be delegated by Longde Wenchuang, the other two will be delegated by other shareholders, Chairman of the Board shall elected from the Directors delegated by Longde Wenchuang.

7.2 Senior Management

All Parties agree that, after receiving the first settlement payment from Longde Wenchuang Fund, Longde Wenchuang is entitled to delegate financial controller to AirMedia Advertising and its subsidiaries, or the financial controllers of AirMedia Advertising and its subsidiaries shall be accredited by Longde Wenchuang. The recruitment of other employees of their finance department shall basically be decided through negotiation among Longde Wenchuang and other shareholders.

During the Covered Period, Longde Wenchuang shall undertake to maintain the independence of AirMedia Advertising's daily operation and stability of its senior management of AirMedia Advertising (other than CFO). Any changes in senior management shall be approved by Longde Wenchuang. All Parties shall use their best effort to ensure the stability of the management of AirMedia Advertising, in order to achieve the target profits.

7.3 Board of Supervisors

All Parties agree that, after receiving the first settlement payment from Longde Wenchuang Fund, AirMedia Advertising shall establish Board of Supervisors composing of three supervisors, including one staff representative supervisor selected by worker's assembly or worker's congress, and two supervisors delegated by Longde Wenchuang and other shareholders, respectively.

- 7.4 After the first settlement payment from Longde Wenchuang Fund, AirMedia Advertising shall, within 10 days after the end of each month, submit an unaudited monthly financial report to Longde Wenchuang. Such report shall include income statement, balance sheet and cash flow statement of each of the parent company, branches and subsidiaries, and the consolidated financial statements. AirMedia Advertising shall, within 3 months after the end of each fiscal year, submit an annual financial report audited by the accounting firm selected by Longde Wenchuang and other shareholders, and a detailed financial budget and annual business plan for the next fiscal year in the last quarter of each fiscal year.
- 7.5 The shareholders of AirMedia Advertising undertake and procure the senior management to undertake that all possible connected transactions will be handled in accordance with the principal of fairness and the market practice. All shareholders of AirMedia Advertising undertake that in the event of a connected transaction, price and terms of such transaction shall be determined on an arm's length basis, and all information in relation to the connected transaction shall be submit to Board of Directors.
- 7.6 Longde Wenchuang it not obliged to provide any fund support for AirMedia Advertising's operation during the Covered Period. In the event that there is any shortfall in funding, the Seller shall provide fund support to AirMedia Advertising.

8 Listing Arrangement

- 8.1 All Parties agree that after this transaction they shall cooperate with each other and use best efforts to complete the Capital Operation by procuring AirMedia Advertising to be acquired by a PRC listed company/ an unlisted public company in National Equities Exchange and Quotations (the "NEEQ"), or launch an independent IPO/NEEQ listing.
- 8.2 All Parties agree, that after this transaction, other shareholders of AirMedia Advertising, excluding the Buyer, and AirMedia Shengshi shall, on top of meeting the net profit target, undertake all the advertising earnings, media procurement, etc. received from other companies controlled by AirMedia to be maintained on a reasonable level, and are in compliance with the laws and regulations regarding the management of connected transactions of the listing companies and the relevant regulations of CSRC and the Exchanges.
- 8.3 During the Capital Operation of AirMedia Advertising, Guo Man and AirMedia agree to use their best efforts to solve the possible issue in relation to the competition between companies controlled by him/AirMedia and AirMedia Advertising, and the independence of AirMedia Advertising's assets. If the equity interest held by Shenzhen AirMedia/existing shareholders in AirMedia Advertising impedes the future capital operation of AirMedia Advertising, Guo Man, the Seller, Shenzhen AirMedia shall cooperate to solve the issue in accordance with the instructions of the working parties by then. In the event that the said problem cannot be solved, Longde Wenchuang or any third party delegated by it is entitled to purchase the equity interest held by Shenzhen AirMedia/existing shareholders in AirMedia Advertising at fair market value.
- 8.4 All Parties agree that after this transaction, Longde Wenchuang, other shareholders of AirMedia Advertising and the Directors delegated by it shall support the Capital Operation plan of AirMedia Advertising, and vote for the plan at board meetings or general meetings.

9 Representations and Warranties

- 9.1 All Parties represent and warrants as follows:

9.1.1 Each party is a legal entities legally incorporated and exists according to the applicable law, or a PRC citizen with full civil capacity of conduct, respectively. Each party has the ability and capability to execute and perform this Agreement, and has obtained the authorization or approval to execute and perform this Agreement.

9.1.2 This Agreement has been signed and delivered by all Parties, and will impose legal, valid, binding and enforceable obligations on them after the effective date.

9.1.3 The execution, delivery, and performance of this Agreement to consummate the transaction contemplated under this Agreement after it comes into effect will not:

1) cause any breach of the terms of their constitutional documents;

2) conflict with or cause to violate/conflict with or constitute the breach of any terms/provisions under any binding agreements or instruments to which they are parties;

3) cause any violation of any applicable law.

9.1.4 From the effective date of this Agreement till the closing date of the target equity interest, there will not be any changes in the operation, financial status or financial prospect of their businesses which would result in any material adverse effect on a Party's capabilities of performing this Agreement;

9.1.5 Unless obtaining a written consent from other Parties to this Agreement, any party will not, from the execution date of this Agreement till the closing date of the target equity interest, negotiate or execute any agreement, contract, memorandum, summary or any other instruments with any third party or conduct any activities in relation to the AirMedia Advertising's equity interest transaction and investment cooperation;

9.1.6 After the consummation of this transaction, all Parties will use their best efforts to carry out the Capital Operation of AirMedia Advertising in PRC, fully cooperate on all the work involved in this investment and the Capital Operation process, employ each party's competitive advantages, and solve any issues involved (including, but not limited to, obtaining internal or the relevant administrative authority's approvals or authorizations, executing relevant documents, coordinating the communication with the relevant administrative authority, making amendment to Article of Association, etc.).

9.2 AirMedia Shengshi makes the following representations and warranties to Longde Wenchuang

In regard to the transfer of equity interest, AirMedia Shengshi makes the following representations and warranties to Longde Wenchuang. AirMedia Shengshi confirms that Longde Wenchuang enters into this Agreement with full reliance on the following representations and warranties:

9.2.1 The Seller legally owns the target equity interest and undertakes that it owns the full right of disposal of it from the time of the consummation of the removal of AirMedia Advertising's VIE structure till the transfer of equity interest.; and that the target equity interest is free and clear of any mortgage, pledge, lien, claim, adverse interest, burden of indebtedness and any other encumbrance whatsoever;

9.2.2 The Seller has paid up all the contribution to AirMedia Advertising; and no false capital contribution or illegal withdrawal of the contributed capital exists.

9.2.3 All certificates, instruments, materials and information provided by AirMedia Shengshi to Longde Wenchuang with respect to the execution and performance of this Agreement are true, accurate and complete as of the date when they are provided and during the application period. There is no concealment or deliberate deception exists in this regard.

9.2.4 The execution and performance of this Agreement does not violate the Articles of Association, or any agreements entered into with any third party, or any applicable law.

9.2.5 From the restructuring audit cut-off date, Longde Wenchuang will legally own the target equity interest and the ancillary rights and liabilities thereto without any flaw.

9.2.6 AirMedia Shengshi did not conduct any actions which are likely to have an adverse effect on the title of the target equity interest or the transfer of the equity interest, resulting in Longde Wenchuang bearing any liability, or failing to conduct any actions that should have been done.

9.2.7 The registered capital of AirMedia Advertising is free and clear of any encumbrance. Apart from the VIE agreements and the fact that all equity interest in AirMedia Advertising were pledged to AirMedia Technology, the following events in respect to the registered capital of AirMedia Advertising do not exist: (i) any trusts in respect to the shareholder right and interest or any similar arrangement, or (ii) any preemptive right, option, or right and interest in respect to the convertible securities, or; (iii) any seal up, distraint, freeze or compulsory transfer measures carried out by judicial or administrative authorities; or (iv) any mortgage or any other encumbrance on the registered capital of AirMedia Advertising; or (v) the shareholders of AirMedia Advertising failing to make timely or full payment of the consideration when acquiring AirMedia Advertising's registered capital or equity interest; or (vi) any event that would affect the right and interest of any existing shareholder in relation to AirMedia Advertising's registered capital, or is likely to cause any third party to obtain, directly or indirectly, any shareholder's right and interest in relation to the registered capital of AirMedia Advertising;

9.2.8 No any other investment and preemptive rights document. Apart from the VIE agreements, AirMedia Advertising and its existing shareholders do not have: (i) any investment documents (including but not limited to increase of capital and transfer of equity interest, etc.) entered into by any non-registered shareholder with AirMedia Advertising, or any of its existing shareholders, or (ii) any legal instruments stipulating the rights and obligations between shareholders or between shareholders and AirMedia Advertising, including, but not limited to, preemptive right, preferential increase of capital, drag-along right, equity redemption, preferential liquidation equity adjustment and other means of equity or cash compensation, or (iii) any legal instruments which would affect the clarity and stability of the equity interests held by the existing shareholders in AirMedia Advertising once implemented or performed, or any legal instruments containing material uncertainty;

9.2.9 Assets and title of funds. Apart from the VIE agreements, assets of AirMedia Advertising has clear title and full capability and function, there is clear of any title dispute. And the following events do not exist in regard to AirMedia Advertising's assets: (i) any trusts with respect to the said assets or any similar arrangement, or (ii) any means of security, including but not limited to mortgage or pledge, or (iii) any seal up, distraint, freeze or compulsory transfer carried out by judicial or administrative authorities; or (iv) any event that prohibits or limits the transfer in accordance with the law, regulation, rule, policy, administrative response, etc., or (v) any event that would affect the right and interest of the said assets held by AirMedia Advertising, or (vi) any circumstance which would cause any third party to obtain, directly or indirectly, any right and interest in relation to the assets of AirMedia Advertising;

9.2.10 No breach of the existing agreements. Apart from the Disclosure Letter (please refer to Annex 11), AirMedia Advertising has, in accordance with the law and the agreements, appropriately and timely, performed its obligations as a contractual party. There is no breach of agreements on the part of AirMedia Advertising that causes or is likely to cause a material adverse effect. Such breach that has a material adverse effect refers to the one that involves no less than RMB500,000.00;

9.2.11 No cross default. The provisions under this Agreement do not violate the Articles of Association of AirMedia Advertising or any AirMedia Advertising instruments in any other forms, or laws, regulations, administrative orders applicable to AirMedia Advertising and/or any of its existing shareholders, or any other contract/legal instruments to which the Seller is a party. The provisions under this Agreement would not discharge any obligations from or authorize any rights to any third party (including any termination rights, preemptive rights or other option rights);

9.2.12 No indebtedness. AirMedia Shengshi undertakes and warrants that, apart from the debts as disclosed in the Disclosure Letter, there is no other indebtedness by AirMedia Advertising. AirMedia Shengshi and other shareholders of AirMedia Advertising shall bear joint and several liability as to all the debts incurred before the restructuring audit cut-off date.

9.2.13 Accounts. The accounts provided by AirMedia Advertising reflect the true and fair business status of AirMedia Advertising as of the relevant statement date, and include a full, accurate, non-misunderstanding records. There is no any material adverse change in the financial, business status/prospect of AirMedia Advertising, or any events that would give rise to such changes.

9.2.14 Finance and taxes. The major financial policy, accounting books, management and use of financial vouchers and invoices, and tax declaration, authorized tax withholding and collection of AirMedia Advertising are in compliance with the PRC finance and tax laws and regulations., There is no (threatened) public investigation or penalty against AirMedia Advertising as a result of delinquent taxes, late payment of tax, tax evasion, tax deception, incomplete or late payment of authorized tax withholding and collection, or any other conducts that violate the taxation laws and regulations.

9.2.15 Labor and Employment agreements. Apart from the employees hired with the consent of Longde Wenchuang, other employees should be placed by AirMedia Shengshi and AirMedia. And AirMedia Shengshi and AirMedia shall take all the legal responsibilities and/or any indemnity liabilities.

9.2.16 Litigation. Apart from what is disclosed in Disclose Letter, there is no pending litigation, administrative penalty, administrative appeal or other judicial proceedings brought by AirMedia Advertising, against or in relation to AirMedia Advertising. And there is no sentence/award/decision made by court, arbitration tribunal or any other judicial/administrative authority to cause AirMedia Advertising to bear legal liabilities or obligations.

9.2.17 Disclosure. Any instrument, statement and information in relation to this transaction that is likely to have a material adverse effect on its capability to fully perform the obligations under this Agreement, or any instrument, statement and information disclosure of which to Longde Wenchuang is likely to have a material adverse effect on Longde Wenchuang's willingness to enter into the Agreement, has been sufficiently disclosed to Longde Wenchuang. Any instrument, statement and information provided by the Seller in respect to the transaction are true, accurate and complete. The Seller did not possess any transaction-related instrument, statement and information which would be reasonably considered a material adverse effect on any party to this Agreement, or any instrument, statement and information that is likely to have a material adverse effect on Longde Wenchuang's willingness to enter into this Agreement once disclosed to Longde Wenchuang.

9.2.17 Veracity of other documents and statements. Documents submitted by AirMedia Advertising to Longde Wenchuang, the lawyers, accountants, valuers and any other third party engaged by Longde Wenchuang's, are true, and the copy of such documents are the same as the originals; all the documents are legally authorized, signed and delivered by the relevant Parties, and all the signatures and seals on them are genuine; all the enuciations, statements, warranties (both oral and in written form) provided by AirMedia Advertising to Longde Wenchuang, the lawyers, accountants, valuers and any other third part engaged by Longde Wencuang are true, accurate, complete and reliable.

10 Exclusivity

Unless obtaining written approval by other Parties of this Agreement, the Seller shall not, from the execution date of this Agreement until the completion date of the equity interest transfer, unilaterally negotiate or execute any agreement, contract, memo or other instruments with any third party or conduct any action which is related to the AirMedia Advertising equity purchase transaction and investment cooperation, except for which Longde Wenchuang is entitled, according to the provisions of this Agreement, to terminate this equity interest transfer or all Parties otherwise agreed by then. In the event that any party breaches this article, it shall be deemed as default, and the breaching party shall pay RMB 400,000,000.00 to the counterparty as penalty.

11 Charges and Fees

All Parties agree that, any expenses and tax (including but not limiting to the legal fees, financial due diligence fee and etc.) incurred in the process of completing the equity interest transfer, internal restructure of AirMedia Advertising, VIE structure removal shall be paid by the relevant Parties respectively.

12 Performance and Guarantee

12.1 All Parties agree, Longde Wenchuang establishes or delegates, according to the practice of common fund, related special fund to perform this Agreement, Longde Wenchuang is entitle to transfer all its rights and obligations hereunder to the said fund, the said transfer will be effective by notifying to all Parties of this Agreement.

12.2 Any agreement in respect to AirMedia Advertising, Shenzhen AirMedia, AirMedia Jinshi, AirMedia Jiaming, other existing shareholders, the Seller is obliged to impel AirMedia Advertising, Shenzhen AM, AirMedia Jinshi, AirMedia Jiaming, other existing shareholders to perform the said agreements timely according to this Agreement, in the event that AirMedia Advertising, Shenzhen AM., AirMedia Jinshi, Jiaming Advertising, other existing shareholders and other relevant parties did not perform obligations under the Agreement or other default exists, the Seller shall be deemed as default and bear the liability in accordance with the Agreement.

12.3 AirMedia, AirMedia Technology shall bear joint and several liability in respect to the obligations of the Seller under this Agreement.

13 Confidentiality

13.1 Unless as otherwise set forth in Article 13.2 of the Agreement or in accordance with PRC/US laws, or obtained prior written consent by other Parties, regardless of whether this Agreement is established or not, all Parties and their affiliated party shall not disclose, leak, discuss or divulge any confident information generated from the execution or performance of this Agreement. All Parties shall, and shall impel their employees or agencies, to take the aforementioned confident information seriously as their own assets and confident information, also, all Parties shall assure they and their affiliates shall not use the aforementioned confident information for any purpose other than the performance of the obligations set forth in the Agreement.

13.2 The obligation as set forth in Article 13.1 shall not apply to following confidential information:

- 1) Information disclosed to the public without violating the obligations set forth in this Agreement;
- 2) Information disclosed by the third party;
- 3) Information received legally by Parties of this Agreement prior to the disclosure date;
- 4) Information required to be disclosed subject to the law, regulation and relevant administrative rules;
- 5) Parties could, for the purpose of performing this Agreement, disclose appropriate confident information to the members of Board of Directors, Secretary of Board of Directors, General Manager, manager of each department, financial and legal consultant reasonably, the parties shall assure and impel the aforementioned person or their agent comply with the obligation set forth in this article.

13.3 Article 13 shall survive shall survive the termination of the Agreement.

14 Default and Remedy

14.1 A Party shall be held liable for damages it has caused to another party due to breach of terms under this Agreement.

14.2 Liability for breach of contract of a Party shall not be terminate upon termination or dissolution of this Agreement.

14.3 Any Party that terminates this Agreement at its sole discretion after the execution shall it shall pay RMB 400,000,000.00 as penalty to the other party.

14.4 After payment of the first installment, if the Seller fails to perform its obligation of change of shareholder for Business Registration, the Buyer is entitled to receive 5 /10,000 of the Consideration per day for each overdue day ; the Buyer is entitled to terminate this Agreement if late performance is over 30 working days and has not been completed within 30 working days after receiving written notice by the Buyer, the Seller shall refund the first installment payment and pay RMB 400,000,000.00 as penalty; the Seller shall be liable for damages caused to the Buyer.

14.5 After payment of the first installment in the event that the change of shareholder for Business Registration cannot be made due to non-approval by the shareholders' meeting of Target Company or the administrative regulatory department, the Seller shall refund the first installment payment and pay 20% of the first installment per year (365 days) for calculating the fund possession fee to the Buyer.

14.6 If the Buyer fails to perform its obligation of payment of the Consideration, the Seller is entitled to receive 5 /10,000 of the of Consideration per day for each overdue day ; the Seller is entitled to terminate this Agreement if late performance is over 30 working days and has not been completed within 30 working days after receiving written notice by the Seller, the Buyer shall pay RMB 400,000,000.00 as penalty (which could be set off by the late fees aforementioned). In the event that the Buyer has partly perform the aforementioned obligation, then the Seller shall refund the paid Consideration to the Buyer.

15 Governing law and Jurisdiction

15.1 The execution, force, interpretation, enforcement, and dispute resolution of this Agreement are governed by the laws of PRC.

15.2 Any dispute arising from this agreement shall be settled by mutual negotiation; in the event where no settlement can be reached between the two Parties, the case under dispute shall be submitted to the CIETAC, the arbitration shall take place in Beijing. The arbitration award shall be final and binding upon the parties.

15.3 Apart from the matters submitted to arbitration, all parties shall, during the arbitration, perform other obligations under this Agreement.

16 Unmentioned Matters

All parties agree, to complete any acts necessary for the fulfillment of the agreed task of the Agreement under the, including, but not limited to, sign or impel third party to sign any instrument or application, or obtain any relevant approval, consent or permit, or complete any relevant recording or filling. All parties further agree that, once this Agreement comes into force, any matters unmentioned herein shall be settled to supplement agreement or memo. The supplementation will have the same force and effect as the Agreement.

17 Entire Agreement

Subject to the laws of the PRC, invalidation of any article in this Agreement by arbitration does not affect the validity of other articles.

18 No Assignment of Rights and Obligations

Unless otherwise agreed in this Agreement, any party shall not, without written consent by other parties, transfer right and obligation arising from this Agreement.

19 Annexes

All Parties confirm that the Annexes are an integral part of this Agreement with same legal force; in the event that the Capital Transfer Agreement is requested to be amended by relevant administrative department, all parties could, according to the principles agreed in the Agreement, amend the provisions in the Capital Transfer Agreement to meet the requirement of the administrative department, however, the rights and obligations shall be interpreted and performed subject to the Agreement.

20 Originals

The language of this Agreement is Chinese. This Agreement shall be provided in twenty originals copies, with each party holding two originals and the rest for reporting and recording. All originals have the same legal force.

21 Miscellaneous

21.1 Any notice made by the Party herein shall be in written form and delivered to the other Party via personal delivery, letter or facsimile. The actual delivery date shall be deemed by the following methods: the notices delivered via personal delivery shall be deemed delivered on the date of personal delivery; notices delivered via facsimile shall be deemed delivered upon receiving the transmission confirmation report; notices delivered via letters shall be deemed on the fifth (5) working day after such letter has been sent (shown on a postmark) via postage prepaid, or the fifth day after delivery to a reputable overnight courier service.

21.1.1 Notices given to Longde Wenchuang and Longde Wenchuang Fund shall be sent to: F4, No.1 Building, Dongbinhe Road B-1, Dongcheng District, Beijing

Zip code: 100013
Contact: Zhaorong Sun
Telephone:
Fax:
Email:

21.1.2 Notices given to AirMedia, AirMedia Shengshi, AirMedia Technology, Guo Man (unless otherwise delegate other contact in writing, the said parties authorize the following receiver to receive notices) shall be sent to: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing.

Zip code: 100027
Contact: Wei Wu
Telephone:
Telephone:
Fax:
Email:

21.2 Any amendment to this Agreement is effective only if agreed and signed in written form by all Parties; any amendment and supplement are integral part of this Agreement.

21.3 Failure to exercise, or delay in exercising any right and/or interest by any Party to the Agreement shall not be deemed a waiver of such right and/or interest, nor shall any single or partial exercise preclude any further exercise of the such right and/or interest.

21.4 The right or remedial measures set forth in this Agreement are additive and shall not preclude the other right or remedial measures endued by current PRC laws, and shall not preclude any other right or remedial measures endued by PRC law or other legal instruments which are enacted after the effective date of this Agreement.

21.5 All Parties confirm that this Agreement shall come into force on the date of execution by each Party. After the effectiveness of this Agreement, this Agreement shall supersede all agreements, memos and other instruments with respect to this investment entered upon by the Parties, and this Agreement and the Annexes hereunder shall prevail in all the matters related to the said investment. In the event of any conflicts between the original investment agreement and this Agreement, this Agreement shall prevail, and such conflicted matters shall be implemented in accordance to this Agreement.

[No text below]

Annexes

Annex 1: The key management team members and other employees list

Annex 2: Confidentiality and Non-competition agreement

Annex 3: Non-competition agreement

Annex 4: Statement on affiliation between AirMedia Advertising and AirMedia

Annex 5: Equity pledge agreement

Annex 6: Contract list of target business with Beijing Capital Airport

Annex 7: Contract list in deficit

Annex 8: Devices checklist related to the target business

Annex 9: Authorized trade mark checklist

Annex 10: Software and hardware of advertising broadcasting and controlling platform checklist

Annex 11: Disclosure letter

(Signature Page)

IN WITNESS WHEREOF, this Agreement to be executed by official authorized representative as of the day and year as first above written.

AirMedia Group Inc. (Cayman)

Company seal: /s/ AirMedia Group Inc. (Cayman)

/s/ Authorized Signatory Authorized Signatory

(Signature Page)

IN WITNESS WHEREOF, this Agreement to be executed by official authorized representative as of the day and year as first above written.

AirMedia Technology (Beijing) Co., Ltd.

Company seal: /s/ AirMedia Technology (Beijing) Co., Ltd.

/s/ Authorized Signatory Authorized Signatory

(Signature Page)

IN WITNESS WHEREOF, this Agreement to be executed by official authorized representative as of the day and year as first above written.

Beijing AirMedia Shengshi Advertising Co., Ltd.

Company seal: /s/ Beijing AirMedia Shengshi Advertising Co., Ltd.

/s/ Authorized Signatory Authorized Signatory

(Signature Page)

IN WITNESS WHEREOF, this Agreement to be executed by official authorized representative as of the day and year as first above written.

/s/ Man Guo

Man Guo

(Signature Page)

IN WITNESS WHEREOF, this Agreement to be executed by official authorized representative as of the day and year as first above written.

Beijing Longde Wenchuang Investment Fund Management Co., Ltd.

Company seal: /s/ Beijing Longde Wenchuang Investment Fund Management Co., Ltd.

/s/ Authorized Signatory Authorized Signatory

Supplement Agreement of Equity Interest Transfer

This Supplement Agreement of Equity Interest Transfer (the “**Agreement**”) is entered by the following Parties on November 30, 2015 in Beijing, PRC.

1. AirMedia Group Inc. (“**AirMedia**”) is an enterprise incorporated in accordance with Cayman law and listed in NASDAQ, Nasdaq symbol: AMCN.
2. AirMedia Technology (Beijing) Co., Ltd. (the “**AirMedia Technology**”) is an enterprise incorporated in accordance with the laws of PRC, with business license number 110000410272072, the registered address is Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing, the legal representative is Guo Man.
3. Beijing AirMedia Shengshi Advertising Co., Ltd. (the “**AirMedia Shengshi**”) is an enterprise incorporated in accordance with the laws of PRC with business license number 110104002566818, the registered address is 1-0361 F1, Building No. 22, Xuanwumen East Avenue, Xuanwu District, Beijing, the legal representative is Guo Man.
4. Guo Man, PRC citizen, ID number _____, address is _____.
5. Beijing Longde Wenchuang Investment Fund Management Company (the “**Longde Wenchuang**”) is an enterprise incorporated in accordance with the laws of PRC, with business license number 110101017080943, the registered address is No.11116, Building 37, Hepingli Ease Avenue No.11, Dongcheng District, Beijing, the legal representative is Xing Hongwang.
6. Beijing Cultural Center Construction and Development Fund (Limited Partnership) (the “**Cultural Center Fund**”) is a limited partnership incorporated in accordance with PRC law, with business license number 110000019766089; the registered address is Room 801-19, Building 52, Jingyuan North Avenue, Beijing Economic and technical development district, Beijing, the managing partner is Beijing Cultural Center Construction and Development Fund Management Company.

Whereas:

1. Air Media, AirMedia Technology, AirMedia Shengshi and Longde Wenchuang have entered into an Equity Interest Transfer Agreement dated June 15th 2015, agreeing that a fund established/ to-be established/appointed by the Longde Wenchuang (hereinafter referred to as “Longde Wenchuang Fund”), shall purchase 75% of the equity interest in AirMedia Advertising, held by AirMedia Technology, with its actual raised fund; also, Longde Wenchuang is entitled to transfer all rights and obligations of Longde Wenchuang Fund under the agreement to the special fund established or appointed by Longde Wenchuang, the transfer shall be effective from the date of notification to each party of the agreement. Currently, the Longde Wenchuang intends to transfer the corresponding rights and obligations of 46.43% of the equity interest in AirMedia Advertising (corresponding to registered capital of RMB 23,215,000.00 in AirMedia Advertising), purchased by Longde Wenchuang and Longde Wenchuang Fund under the Equity Interest Transfer Agreement, to Cultural Center Fund.
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2. As of September 30th 2015, AirMedia Advertising failed to fulfill part of the conditions precedent agreed set forth in Article 2.1.2 in Equity Interest Transfer Agreement.

NOW, THEREFORE, Parties, through friendly negotiations, hereby agree in respect of transfer of the said equity and the modification and amendment of the provisions as follows:

1. Each party agrees that, from the date of this Agreement, Longde Wenchuang shall transfer the corresponding rights and obligations of 46.43% of the equity interest in AirMedia Advertising (corresponding to registered capital of RMB 23,215,000.00 in AirMedia Advertising), intended to be purchased by Longde Wenchuang and Longde Wenchuang Fund under the Equity Interest Transfer Agreement for a consideration of RMB 1,300,000,000.00, to Cultural Center Fund; Cultural Center Fund agrees to accept the above-mentioned rights and obligations, acts as a party of the Equity Interest Transfer Agreement and continues to enjoy relevant rights and undertake relevant obligations according to the Equity Interest Transfer Agreement and this supplementary agreement. After this transaction, Longde Wenchuang Fund shall hold 28.57% of the equity interest in AirMedia Advertising, while Cultural Center Fund shall hold 46.43% of the equity in AirMedia Advertising.

2. Warranties by AirMedia Shengshi

- 2.1 The removal VIE structure of AirMedia Advertising (excluding equity held by Zhang Xiaoya) set forth in Article 5.2 of Equity Interest Transfer Agreement will be complete and be recognized by lawyer and financial consultant hired by Longde Wenchuang and Cultural Center Fund before November 15th 2015 and confirmed by the legal counsel and financial advisor engaged by Longde Wenchuang and Cultural Center Fund; the transfer of equity interest held by Zhang Xiaoya shall be completed on or before Dec. 31st, 2015 (i.e. Zhang Xiaoya will no longer be a shareholder of AirMedia Advertising).
 - 2.2 On or before November 15th, 2015, the restructure of assets, equity interest and personnel according to Article 4.2, 4.3.2, 4.3.3, 4.3.4, 4.3.5 and 4.4 in the Equity Interest Transfer Agreement shall be completed, other non-target business scope and personnel shall be transferred to the other companies other than AirMedia Advertising, the LED screens, independent digital frames, tradition AD in airport (excluding airport TV system and cabinet scraper system) and traditional road boards, LED AD (excluding gas station and on-plane TV AD) inside all of the airports owned by AirMeida shall be placed into AirMedia Advertising, including all relevant media resources, client resources, personnel and trademarks, and keep the independent of assets, business, personnel and compensation after restructure, the aforementioned arrangement shall not include business disposed and business in loss in Transition Period according to Art. 4.1.2 and 4.1.3 in the Equity Interest Transfer Agreement.
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- 2.3 As of December 31st 2015, fixed assets net value and net cash flow (monetary fund balance net value of business receivables net value of business payables) of AirMedia Advertising shall not respectively be less than RMB 150,000,000.00 and RMB 350,000,000.00 (monetary fund balance shall not be less than RMB 150,000,000.00, the component of net value of business receivables and net value of business payables will be determined by management team), the audited net asset shall not be less than RMB 500,000,000.00; however, the asset set forth in Article 4.1.3 of Equity Interest Transfer Agreement shall not be re-audited. In the event that AirMedia Advertising cannot fulfill the aforementioned conditions, AirMedia Shengshi shall, by means of cash, make up the balance to AirMedia Advertising in order to make AirMedia Advertising to fulfill the said condition precedent.
- 2.4 As of December 31st 2015, all the receivables and payables among AirMedia Advertising, AirMedia and other affiliated parties Annex 4 of Equity Interest Transfer Agreement> shall be cleared, the balance is expected to be zero (the recognition of affiliated parties shall be rely on the opinion of accountant qualified in Securities dealings). In the event that AirMedia Advertising cannot fulfill the aforementioned conditions, AirMedia Shengshi shall, by means of cash, make up the balance to AirMedia Advertising in order to make AirMedia Advertising to fulfill the said condition precedent.
- 2.5 As of December 31st 2015, 75% equity of AirMedia Advertising will be transferred to Longde Wenchuang Fund and Cultural Center Fund, and the Industry and Commerce Registration formalities will be completed, unless the failure of completion of registration formalities is due to the Longde Wenchuang's reason.
- 2.6 AirMedia Advertising, AirMedia Shengshi and other shareholder confirm and undertake that AirMedia Advertising has no significant violation of laws, regulations and defaults, and will obey and comply with representation and warranties in Equity Interest Transfer Agreement and this Agreement.
3. In the event that AirMedia Advertising fails to fulfill the any provision set forth in Article 2, AirMedia Shengshi shall compensate Longde Wenchuang Fund and Cultural Center Fund RMB 210,000,000.00 (this amount will be assigned according to the consideration ratio of Longde Wenchuang Fund and Cultural Center Fund).
4. AirMedia and AirMedia Technology shall take joint and several liability with AirMedia Shengshi for the obligations under this Agreement (including the obligations set forth in Article 2).
5. Guo Man agrees and guarantees that, from the date of official delisting and becoming a private company of AirMedia, he will take joint and several liability with AirMedia and AirMedia Technology for the obligations under <Equity Interest Transfer Agreement and this Agreement.
6. For the avoidance of doubt, AirMedia, AirMedia Technology, the Seller and Guo Man, as a party, of the Equity Interest Transfer Agreement shall not be exempted for breach of liabilities and compensation terms under Article 14 due to the execution of this Agreement. Any Party who breaches this Agreement shall take the liability under the Equity Interest Transfer Agreement and this Agreement.
7. This Agreement has the same fore with the Equity Interest Transfer Agreement, any conflict between this Agreement and the Equity Interest Transfer Agreement, this Agreement shall prevail; any unmentioned matters herein shall be governed by the Equity Interest Transfer Agreement.
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8. Any dispute arising from this agreement shall be settled by mutual negotiation; in the event no settlement can be reached between the two parties, the case under dispute shall be submitted to the CIETAC, the arbitration shall take place in Beijing, China. The arbitration award shall be final and binding upon the parties.

9. This Agreement shall come into force on the date of execution by parties.

10. The language of this Agreement is Chinese. This Agreement shall be provided in twenty two originals, with each party holding two originals and the rest for reporting and recording. All originals have the same legal force.

[No text below]

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

AirMedia Group Inc. (Cayman)

Company seal: /s/ AirMedia Group Inc. (Cayman)

/s/ Authorized Signatory Authorized Signatory

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

AirMedia Technology (Beijing) Co., Ltd.

Company seal: /s/ AirMedia Technology (Beijing) Co., Ltd.

/s/ Authorized Signatory Authorized Signatory

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

Beijing AirMedia Shengshi Advertising Co., Ltd.

Company seal: /s/ Beijing AirMedia Shengshi Advertising Co., Ltd.

/s/ Authorized Signatory

Authorized Signatory

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

/s/ Man Guo

Man Guo

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

Beijing Longde Wenchuang Investment Fund Management Co., Ltd.

Company seal: /s/ Beijing Longde Wenchuang Investment Fund Management Co., Ltd.

/s/ Authorized Signatory Authorized Signatory

(Signature page to Supplement Agreement of the Equity Interest Transfer Agreement)

Beijing Cultural Center Construction and Development Fund

Company seal: /s/ Beijing Cultural Center Construction and Development Fund

/s/ Authorized Signatory Authorized Signatory

Exclusive Technology Consulting and Service Agreement

This Exclusive Technology Consulting and Service Agreement (the “**Agreement**”) is entered into by and between the following Parties on June 5th, 2015 in Beijing, People’s Republic of China (“**China**”):

Party A: AirMedia Technology (Beijing) Co., Ltd.

Legal Representative: Guo Man

Registered address: Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing

Party B: AirMedia Online Network Technology Co., Ltd.

Legal Representative: Xu Qing

Registered address: Room 402 in 401, Floor 4, Building 26, Dongzhimenwai Avenue, Chaoyang District, Beijing

(The above Parties are respectively referred to as a "Party", jointly referred to as the "Parties" under this Agreement.)

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise incorporated in accordance with the laws of PRC and has resources to provide technology consulting and services to Party B;

(2) Party B is a limited liability enterprise incorporated in accordance with the laws of PRC and intends to develop on-flight wifi business;

(3) Party B intends to delegate to Party A, and Party A agrees to accept the delegation to provide exclusive consulting and related services to Party B, both Parties agree to execute this written Exclusive Technology Support and Service Agreement to define their respective rights and obligations.

NOW, THEREFORE, Party A and Party B, through friendly negotiations, hereby agree as follows:

1 Exclusive Technology Consulting and Services: Exclusive Rights

1.1 During the term of this Agreement, subject to the terms and conditions hereof, Party A agrees to provide exclusive consulting services in respect of management, personnel training, marketing and market promotion to Party B, including, but not limited to:

- 1) Assist Party B to determine company management mode and business plan;
 - 2) Assist Party B to determine market development plan;
 - 3) Provide market and client resources information to Party B;
 - 4) Provide specific market investigation and research under delegation;
 - 5) Provide training for Party B’s personnel;
-

6) Assist Party B to establish marketing network.

1.2 Party B agrees to accept the consulting and services provided by Party A, and Party B further agrees that, except with Party A's prior written consent, Party B shall not accept the said consulting and services provided by any third party during the term of this Agreement.

1.3 During the term of this Agreement, both Parties could from time to time amend or supplement the contents of the consulting and services, the said amend or supplement should be determined by Parties in writing.

2 Calculation, Payment and Security of Consulting and Services Fee

2.1 Both Parties agree that a consideration for the consulting and services shall be calculated and paid according to the Annex I attached hereto.

2.2 Each Party shall bear the taxes payable by it in connection with the execution or performance of this Agreement in accordance with the laws.

2.3 Party B's shareholders will provide a pledge security to Party A for the consulting service fee payable by Party B under this Agreement by pledging their equity interest in Party B.

3 Representations and Warranties

3.1 Representations and warranties by Party A:

3.1.1 Party A is a wholly foreign-owned enterprise incorporated in accordance with the laws of PRC;

3.1.2 Party A's execution and performance of this Agreement are within the scope of its company power and business scope, it has taken necessary company actions and appropriate authorization, obtained necessary approvals and permits from third parties and government departments, and will not violate the contracts and laws which it is restricted to or bound upon.

3.1.3 This Agreement constitutes a legal, valid, binding and enforceable obligations to Party A upon execution.

3.2 Representations and warranties by Party B:

3.2.1 Party B is a limited liability enterprise incorporated in accordance with the laws of PRC;

3.2.2 Party B's execution and performance of this Agreement are within the scope of its company power and business scope, it has taken necessary company actions and appropriate authority, it has obtained necessary approvals and permits from third parties and government departments, and will not violate the contracts and laws which it is restricted to or bound upon.

3.2.3 This Agreement constitutes a legal, valid, binding and enforceable obligations to Party B upon execution.

4 Confidentiality

4.1 Party B will endeavor to take all reasonable measures to keep confidential of the confidential materials and information (the "Confidential Information") generated from the acceptance of exclusive consulting and services from Party A; unless with Party A's prior written consent, Party B shall not disclose, give or transfer the said Confidential Information. Party B shall return the documents, materials or soft wares that contains Confidential Information to Party A or destroy them, meanwhile, it shall delete any Confidential Information from related memory devices and shall not continuously use the said Confidential Information.

4.2 The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in respect of this Agreement shall be confidential information. Both Parties shall keep the said information confidential and no Party shall disclose such information to any third party without written consent from the other Party, except for the following circumstances: (a) such materials are known or will be known to the public, which is not a result of the unauthorized disclosure from the Party that accepts materials; (b) such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or (c) where a Party discloses such materials in connection with the transaction contemplated herein to its legal or financial consultant, such legal or financial consultant shall also follow the duty of confidentiality similar to this clause. Breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and the Party shall be liable for breach in accordance with this Agreement.

4.3 This article shall survive the invalid, change, cancellation, termination or being no longer operational of this Agreement.

5 Liabilities for Breach of Contract

Where any Party (the “**Breaching Party**”) breaches any article of this Agreement and causes loss to the other Party (the “**Non-breaching Party**”), the Non-breaching Party is entitled to deliver a written notice requiring immediate rectification to Breaching Party; in the event that the Breaching Party fails to cure the breach by the ways that are satisfied by the Non-breaching Party within fifteen (15) working days of receiving written notice from the Non-breaching Party, the Non-breaching Party may immediately take relief measures in accordance with the methods set forth in this Agreement or by means of law.

6 Effectiveness and term

6.1 This Agreement shall be effective from the date first set forth above.

6.2 Unless the provisions in this Agreement or relevant clauses set forth in further contracts signed by Parties terminate this Agreement before expiration, the valid term of this Agreement shall be ten (10) years.

6.3 Upon the written confirmation by Party A before expiration of this Agreement, the term could be extended; the extended term shall be determined by Party A.

6.4 In the event that any Party's business term expires or is terminated by other reason during the period set forth in Article 6.2 and Article 6.3, this Agreement shall be terminated by then, unless the other Party has, in light of Article 12 of this Agreement, transferred its rights and obligations.

7 Termination

7.1 This Agreement shall be terminated on the expiration date unless extended in accordance with the relevant articles of this Agreement.

1.1 During the term of this Agreement, unless Party A has significant fault, fraud, other illegal actions, or goes bankrupt, Party B shall not terminate this Agreement before expiration. Notwithstanding the above, Party A is entitled to terminate this Agreement at any time by delivering a written notice thirty (30) days in advance. During the term of this Agreement, where Party B breaches any article of this Agreement and fails to cure it within fourteen (14) working days of receiving written notice in respect to the said default from Party A, Party A may inform Party B in writing for the termination of this Agreement.

7.2 Rights and obligations of both Parties under Article 4, Article 9 and Article 11 shall survive in the termination of this Agreement.

8 Applicable Laws

The performance, interpretation, enforcement and disputes resolution in connection with this Agreement shall be governed by the laws of PRC.

9 Dispute Resolution

Any dispute arising from this Agreement shall be settled by the Parties through amicable negotiations. In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its current rules. The seat of arbitration shall be Beijing, the language of arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties.

10 Force Majeure

10.1 Force Majeure hereof means events beyond the reasonable control and could not be avoided under due care of affected Party, including, but not limited to, governmental action, nature power, fire, war, blast, serious flood, storm, earthquake, tide, lightning or war. The scarcity of credit, capital or loan facility shall not be deemed as event beyond one Party's reasonable control. The affected Party shall notify the other Party of the occurrence of the Force Majeure events and the steps it will take for the purpose of performing the said obligations as soon as possible.

10.2 In case the Force Majeure suspend or retard the performance of this Agreement, liability under this Agreement shall not be borne by the affected Party within the sphere of suspended or retarded the performance. The affected Party shall reduce or eliminate the effect of the Force Majeure and endeavor to restore the said performance. Once the Force Majeure was eliminated, all Parties agree to restore the performance of this Agreement with best efforts.

11 Notice

Any notice or other communication made by the Party herein shall be in Chinese or English and be delivered to the other Party via personal delivery, letter or registered post, postage prepaid or other recognized express services, or facsimile at the address shown immediately after this paragraph or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the tenth (10) day after such registered airmail has been sent with its postage paid (shown on a postmark), or on the fourth (4) day after such letter is given to an international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A: AirMedia Technology (Beijing) Co., Ltd.

Recipient: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party B: AirMedia Online Network Technology Co., Ltd.

Recipient: Xu Qing

Address: F/17, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

12 Assignment

Party B shall not assign its rights and obligations herein to any third Party without Party A's prior written consent.

Party B agrees hereof, Party A may, at any time, assign its rights and obligations herein to any third Party. When Party A assigns its rights and obligations, Party A shall deliver written notice to Party B, the consent of assign from Party B is not necessary.

13 Entire Agreement

Both Parties confirm that this Agreement constitutes the entire agreement and understanding of both Parties with respect to the subject matter hereof upon effectiveness and supersedes and replaces all prior oral and/or written agreements and understandings of both Parties with respect to the subject matter hereof.

14 Severability

If any provision under this Agreement is determined to be invalid or unenforceable due to not comply with relevant laws, such provision shall only be deemed as invalid under such laws, and will not affect the legal effect of any other provisions in the remainder of this Agreement.

15 Amendment and Supplement

Any amendment and supplement of this Agreement shall be made in writing and shall form an integral part of this Agreement and has the same effect as this Agreement upon appropriate execution by both Parties.

16 Copies

This Agreement may be executed in two (2) counterparts, each Party shall hold one (1) counterpart. Each counterpart shall have same legal effect.

[No text below]

(Signature Page)

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its legal representative or authorized representative on the date first set forth above.

Party A: AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

(Signature Page)

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its legal representative or authorized representative on the date first set forth above.

Party B: AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd.

Annex I Consulting Service Fee Calculation and Payment Standard

1 Amount of the Service Fee

2 Payment

- 1) Each year, Party A shall make a settlement list based on the contents of service provided to Party B and submit to Party B in written form. Party B shall verify and confirm the settlement list.
- 2) Party B shall, within the term of payment indicated in the settlement list, pay the consulting service fee amount to the bank account designated by Party A. Party B shall deliver the copy of remittance voucher to Party A by fax or mail after the said amount has been paid.

3 Adjustment

If Party A is of the opinion that the fee under this Agreement becomes inappropriate and needs to be adjusted, Party B shall, within seven (7) working days of receiving the written request about fee adjustment from Party A, negotiate with Party A actively and in good faith so as to determine the new billing standard or system.

Technology Development Agreement

This Technology Development Agreement (the “**Agreement**”) is entered into by and between the following Parties on June 5th, 2015 in Beijing, People’s Republic of China (“**China**”):

Party A: AirMedia Technology (Beijing) Co., Ltd.

Party B: AirMedia Online Network Technology Co., Ltd.

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise incorporated in accordance with laws with strong technology development capacity and ample experiences in respect of technology development services;

(2) Party B requires a professional technology company to provide technology development services in the course of its operation and management.

NOW, THEREFORE, Party A and Party B, through friendly negotiation and abiding by the principle of equality and mutual benefit, hereby agree as follows:

1 Technology Development Services

- 1.1 Subject to the terms and conditions hereof, Party A agrees to provide technology development services to Party B and Party B agrees to accept the technology development services provided by Party A.
- 1.2 Party B shall actively assist Party A in fulfilling the abovementioned services, including, but not limited to, providing related data, technology requirements, explanation, etc.
- 1.3 The valid term of this Agreement shall be ten (10) years. Both parties agree that the term of this Agreement shall renewed automatically for ten (10) years upon expiry, unless a party provides notice of termination to the other party at least twenty (20) days prior to the expiration of this Agreement.

2 Exclusivity

Party A is the exclusive provider providing the technology development services hereunder to Party B. Except with Party A’s prior written consent, Party B shall not accept identical or similar technology development services provided by any third party.

3 Intellectual Property Rights

Any and all intellectual property rights arising from the performance of this Agreement, including, but not limited to, copyright, patent right and technology know-how shall belong to Party A. Party B shall not be entitled to any right except those as specified herein. Both parties agree that this article shall survive the change, cancellation or termination of this Agreement.

4 Service Fee

- 4.1 Both parties agree that as a consideration for the technology development services rendered by Party A to Party B under Article 1.1 herein, Party B shall pay Party A the service fee pursuant to the stipulations of this Agreement. The amount of service fee and method of payment are set forth in the annex hereto. This annex may be amended on the basis of implementation after negotiations between both parties.
- 4.2 Each party shall bear the taxes payable by it in connection with the execution or performance of this Agreement in accordance with laws. As requested by Party A, Party B shall endeavor to assist Party A in obtaining the VAT exemption for all or part of its technology development service fee income under this Agreement, including, but not limited to, providing related documents and signing written agreements, meeting the format requirements of declaration to competent authority for science and technology with Party A with respect to the specific service items within the scope of this Agreement from time to time, but the execution of these documents shall be subject to the following conditions: (1) the terms of such written agreements shall be consistent with the terms of this Agreement in principle and not in conflict with the terms of this Agreement; and (2) the execution of such documents shall not violate laws and regulations.
- 4.3 Party B's shareholders will provide a pledge security to Party A for the technology development service fee payable by Party B under this Agreement by pledging their equity interest in Party B.

5 Confidentiality

This Agreement itself and all terms hereof are confidential information. Neither party shall disclose such information to any third party except its senior officers, directors, employees, agents and professional consultants relating to this project; unless the information about this document is disclosed to government, the public or shareholders in accordance with laws or this document is filed with related institution for record.

This article shall survive the change, cancellation or termination of this Agreement.

6 Liabilities for Breach of Contract

Where either party fails to perform any of its obligations hereunder, or any of its representations or warranties hereunder is materially untrue or inaccurate, such party shall be deemed to have breached this Agreement and shall be held liable for all the losses thus incurred to the other party.

7 Force Majeure

Should either party be prevented from performing this Agreement due to force majeure, the party prevented shall notify the other party by cable, fax or other electronic means without any delay and provide any written documentary evidence of such force majeure within fifteen (15) working days. Both parties may negotiate whether or not to terminate this Agreement or exempt part of the obligations under this Agreement or delay the performance of this Agreement depending on the effect of such event of force majeure upon the performance of this Agreement.

8 Entire Agreement

Both parties acknowledge that once this Agreement becomes effective, it constitutes the entire agreement and understanding between both parties with respect to the subject matter hereof and supersedes and replaces all prior oral and/or written agreements and understandings between both parties with respect to the subject matter hereof.

9 Supplementary Provisions

- 9.1 Any dispute arising from the performance of this Agreement shall be solved by both parties through amicable negotiations. If the dispute is not resolved, such dispute shall be submitted to Beijing Arbitration Commission for arbitration in accordance with its arbitration rules. The venue of arbitration shall be in Beijing and the arbitral award shall be final.
- 9.2 The annex attached hereto shall form an integral part of this Agreement and has the same effect as the remainder of this Agreement.
- 9.3 This Agreement shall come into effect on the date of signing by both parties.
- 9.4 This Agreement may be executed in Chinese in two (2) counterparts, each party shall hold one (1) counterpart.

[No text below]

(Signature Page)

Party A: AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd.

Service Fee Calculation Standard

- 1 Party A and Party B agree that Party B shall pay technology development service fee to Party A according to the following requirements:
 - 1) In the first month of each year (for the first year, shall refer to the next month after the signing of this Agreement), Party A and Party B shall determine the annual service fee amount of this year. The annual service fee amount confirmed by both parties shall be annexed to this Agreement respectively.
 - 2) When determine annual service fee amount, both parties may fully consider to adjust the technology development service fee of the year based on the following factors, including, but not limited to:
 - a) The number of the employees to be assigned by Party A to render services for Party B and the qualification of these employees;
 - b) The time proposed for Party A's employees to provide services;
 - c) The specific contents and value of the services rendered by Party A;
 - d) Whether use licenses are provided to Party B with respect to specific technologies (including patented and non-patented technologies) during the provision of technology development;
 - e) The internal relations between Party A's technology development and Party B's operating income.
 - 3) Party B shall pay the said annual service fee averagely on a quarterly basis. Party B shall, within fifteen (15) working days prior to end of each quarter, pay the service fee amount of this quarter to the bank account designated by Party A.
 - 2 If Party A is of the opinion that the fee as set out in Article 1 of this Annex becomes inappropriate for the change of objective situation and needs to be adjusted, Party B shall, within seven (7) working days after receiving the written request about fee adjustment from Party A, negotiate with Party A actively and in good faith so as to determine the new billing standard or system.
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Technology Support and Service Agreement

This Technology Support and Service Agreement (the “**Agreement**”) is entered into by and between the following Parties on June 5, 2015 in Beijing, People’s Republic of China (“**China**”):

Party A: AirMedia Technology (Beijing) Co., Ltd.

Party B: AirMedia Online Network Technology Co., Ltd.

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise incorporated in accordance with laws with strong technology development and technology support capacity and ample experiences in respect of technology support and services;

(2) Party B requires a professional technology company to provide technology support and services in the course of its operation and management.

(3) Both parties agree to execute the abovementioned Technology Support and Service Agreement to further define their respective rights and obligations.

NOW, THEREFORE, Party A and Party B, through friendly negotiation and abiding by the principle of equality and mutual benefit, hereby agree as follows:

1 Technology Support and Services

1.1 Subject to the terms and conditions hereof, Party A agrees to provide technology support and services to Party B and Party B agrees to accept the technology support and services provided by Party A. The contents of technology support and services are as follows:

- 1) Perform research and development on related technologies according to Party B’s business needs;
 - 2) As requested by Party B from time to time, make related investigations and collect relevant data and materials concerning Party B’s technology problems and needs during its business operations; provide the investigation findings and reports within the time limit required by Party B;
 - 3) Provide Party B with (including, but not limited to) the technology design, schemes, drawings, data, parameters, standards, programs, and results, reports, materials and data of the same type technology research in connection with Party B’s technology problems during operation;
 - 4) Timely answer Party B’s technology inquiries and if necessary, assign personnel to solve technology problems on site;
 - 5) Provide other related technology support and services for Party B according to the provisions of this Agreement.
-

1.2 Party B shall actively assist Party A in fulfilling the abovementioned services, including, but not limited to, providing related data, technology requirements, explanation, etc.

1.3 The term of this Agreement shall be ten (10) years. Both parties agree that the term of this Agreement shall be renewed automatically for ten (10) years upon expiry, unless a party provides notice of termination to the other party at least twenty (20) days prior to the expiration of this Agreement.

2 Exclusivity

Party A is the exclusive provider providing the technology support and services hereunder to Party B. Except with Party A's prior written consent, Party B shall not accept identical or similar technology support and services provided by any third party.

3 Intellectual Property Rights

Any and all intellectual property rights arising from the performance of this Agreement, including, but not limited to, copyright, patent right and technology know-how, shall belong to Party A, Party B shall not be entitled to any right except those as specified herein. Both parties agree that this article shall survive the change, cancellation or termination of this Agreement.

4 Service Fee

Both parties agree that as a consideration for the technology support and services rendered by Party A to Party B under Article 1.1 herein, Party B shall pay Party A the service fee pursuant to the stipulation of this Agreement. The amount of service fee and method of payment are set forth in the annex hereto. This annex may be amended on the basis of implementation after negotiations between both parties.

5 Confidentiality

This Agreement itself and all terms hereof are confidential information. Neither party shall disclose such information to any third party except its senior officers, directors, employees, agents and professional consultants relating to this project; unless the information about this document is disclosed to government, the public or shareholders in accordance with laws or this document is filed with related institution for record.

This article shall survive the change, cancellation or termination of this Agreement.

6 Liabilities for Breach of Contract

Where either party fails to perform any of its obligations hereunder, or any of its representations or warranties hereunder is materially untrue or inaccurate, such party shall be deemed to have breached this Agreement and shall be held liable for all the losses thus incurred to the other party.

7 Force Majeure

Should either party be prevented from performing this Agreement due to force majeure, the party prevented shall notify the other party by cable, fax or other electronic means without any delay and provide any written documentary evidence of such force majeure within fifteen (15) working days. Both parties may negotiate whether or not to terminate this Agreement or exempt part of the obligations under this Agreement or delay the performance of this Agreement depending on the effect of such event of force majeure upon the performance of this Agreement.

8 Entire Agreement

Both parties acknowledge that once this Agreement becomes effective, it constitutes the entire agreement and understanding between both parties with respect to the subject matter hereof and supersedes and replaces all prior oral and/or written agreements and understandings between both parties with respect to the subject matter hereof.

9 Supplementary Provisions

- 9.1 Any dispute arising from the performance of this Agreement shall be solved by both parties through friendly negotiation. If the dispute is not resolved, such dispute shall be submitted to Beijing Arbitration Commission for arbitration in accordance with its arbitration rules. The venue of arbitration shall be in Beijing and the arbitral award shall be final.
- 9.2 The annex attached hereto shall form an integral part of this Agreement and has the same effect as the remainder of this Agreement.
- 9.3 This Agreement shall come into effect on the date of signing by both parties.
- 9.4 This Agreement may be executed in Chinese in two (2) counterparts, each party shall hold one (1) counterpart.

[No text below]

(Signature Page)

Party A: AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

Party B: AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd.

Service Fee Calculation Standard

- 1 Party A and Party B agree that Party B shall pay technology support and technology service fee to Party A according to the following requirements:
 - 1) In the first month of each year (for the first year, this shall refer to the next month after the signing of this Agreement), Party A and Party B shall determine the annual service fee amount of the relevant year. The annual service fee amount confirmed by both parties shall be annexed to this Agreement respectively.
 - 2) When determining the annual service fee amount, the parties may fully consider to adjust the technology service fee of the year based on factors, including, but not limited to the following:
 - a) The number of the employees to be assigned by Party A to render services for Party B and the qualification of these employees;
 - b) The time proposed for Party A's employees to provide services;
 - c) The specific contents and value of the services rendered by Party A;
 - d) Whether use licenses are provided to Party B with respect to specific technologies (including patented and non-patented technologies) during the provision of technology support and technology services;
 - e) The correlation between Party A's technology support and technology services and Party B's operating income.
 - 3) Party B shall pay the abovementioned annual service fee pro rata on a quarterly basis. Party B shall, within fifteen (15) working days prior to the end of each quarter, pay the service fee amount of the applicable quarter to the bank account designated by Party A.
 - 2 If Party A is of the opinion that the fee as set out in Article 1 of this Annex becomes inappropriate for the change of objective situation and needs to be adjusted, Party B shall, within seven (7) working days after receiving the written request about fee adjustment from Party A, negotiate with Party A actively and in good faith so as to determine the new billing standard or system.
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Loan Agreement

This loan agreement (the "**Agreement**") is entered by the following parties on June 5, 2015 in Beijing, People's Republic of China ("**PRC**"):

Party A: AirMedia Technology (Beijing) Co., Ltd (hereinafter referred to as the "**Lender**").

Registered address: Room 3088, Building 1, No. 2 Heng Fu Zhong Street, Science Town, Fengtai District, Beijing

Legal Representative: Guo Man

Party B: Guo Man (hereinafter referred to as the "**Borrower**")

ID Number: 1

(Each of the parties listed above shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**".)

Whereas:

- (1) The Borrower, upon the request of the Lender, serves as a shareholder of AirMedia Online Network Technology Ltd., Co. (hereinafter referred to as the "Company", with the registered capital of RMB50 million). The Borrower holds 80% of the total equity interests of the Company;
 - (2) The Lender agrees to provide a loan of RMB40 million in aggregate by installments to the Borrower to pay the capital contribution to the Company;
 - (3) By entering into this Agreement, each Party intends to set out the rights and obligations for the Borrower and the Lender under the loan.
-

NOW THEREFORE, through mutual consensus, the Parties hereby agree as follows:

1. Loan

- 1.1 In accordance with the terms and the conditions of this Agreement, the Lender agrees to provide a loan of RMB40 million in aggregate (the “**Loan**”) to the Borrower. The Borrower agrees to the receipt of the Loan. Within 40 working days after the execution of this Agreement, the Lender shall provide the Borrower with the first installment with the amount of RMB1.6 million. The supplement time and specific amount of the remainder of the Loan shall be determined by both Parties by entering into supplementary agreement.
- 1.2 The Borrower hereby acknowledges and covenants that the whole amount of the Loan should be applied towards the payment for the registered capital to the Company or to provide financial support to the Company.
- 1.3 All Parties acknowledge that the Borrower shall, in accordance with the requirements of this Agreement, fulfill its obligation of repayment of the Loan to the Lender and other obligations under this Agreement.

2. Term of the Loan

- 2.1 The term of the Loan under this Agreement shall last ten (10) years, starting from the execution date of this Agreement. Unless the Lender raises a written objection within 30 working days prior to the expiration date of the Loan, the term of the Loan shall be automatically extended by one (1) year and so forth.
 - 2.2 Within the term of this Loan or any extended term of the Loan under this Agreement, the Lender, under the following circumstances, is entitled to decide an immediate due to the Loan with a written notice and request the Borrower to repay the loan in accordance with this Agreement:
 - (1) The Borrower resigns from or is dismissed by the Lender or any of its affiliates;
 - (2) The Borrower dies or loses capacity for civil acts, or with limited capacity for civil conduct;
 - (3) The Borrower commits a crime or is involved in a crime;
 - (4) Any third party claims more than RMB100,000 against the Borrower; or
 - (5) Any representation or warranty made by the Borrower under this agreement is otherwise proved to be false or not true in any substantial aspect; or the Borrower violates any obligation under this Agreement; or
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(6) The Lender determines to exercise the call option right under the Call Option Agreement set forth under this Agreement.

3. Repayment of the Loan

3.1 The Lender shall at any time, upon its absolute discretion, deliver a notice of repayment to the Borrower fifteen days in advance and require the Borrower to make partial or full repayment of the Loan.

3.2 All Parties hereby agree and acknowledge that the Borrower shall repay the Loan only in the manner as given below: Under the circumstances of expired loan, at the Lender's written request, the Borrower or any of its successors, assignees shall transfer its equity of the Company to the Lender or its designee under PRC law and use the proceeds from such equity transfer to repay the Loan under this Agreement.

3.3 The Parties hereby acknowledge and agree that the Borrower's obligations under this Agreement are deemed to be fully performed only if all the following requirements are satisfied:

(1) The Borrower has transferred all its equity of the Company to the Lender and/or its designee; and

(2) The Borrower has paid to Lender all proceeds from equity transfer or the maximum amount permitted by laws as loan repayment.

4. Interest of the Loan

4.1 The parties hereby agree and acknowledge that, the Loan under this Agreement shall be interest-free.

4.2 Notwithstanding the foregoing, the Parties hereby acknowledge and agree that where the Loan is due and the Borrower needs to transfer its equity hereof to the Lender and/or its designee, if the actual equity transfer price is higher than the Borrower's loan principal due to legal requirements or other causes, the excess shall be deemed as the loan interest or fund utilization cost to the extent permitted by PRC laws, and shall be paid to the Lender together with the loan principal.

5. Representations, Warranties and Undertakings of the Borrower

- 5.1 The Borrower shall provide the Lender with a photocopy of its certificate of capital contribution, which shows the Borrower holds 80% of the total equity interests of the Company.
- 5.2 As the guarantee of the Loan, the Borrower agrees to pledge all of the equity interests held by it in the Company to the Lender and grant a call option right to purchase such equity interests. The Borrower agrees to enter into an equity pledge agreement and exclusive call option agreement upon the request of the Lender.
- 5.3 Except for those equity pledges or other rights set for the benefit of the Lender, without Lender's prior written consent, the Borrower shall not sell, transfer, mortgage or otherwise dispose of or set any other security interest against its equity or other interests in the Company, unless such equity pledges or rights are provided to the Lender and/or the designee of the Lender.
- 5.4 Without Lender's prior written consent, the Borrower shall not vote for, support at board of the shareholders or sign any board resolution approving the Company to be merged or consolidated with, acquire or invest in any person (a "person" refers to any individual, company, partnership or any other entity under this Agreement).
- 5.5 Without the Lender's prior written consent, the Borrower shall not conduct any act and/or omission that may materially affect the assets, business and liabilities of the Company; the Borrower shall not sell, transfer, mortgage or otherwise dispose of, or set any other security interest against, any of its assets, business or the beneficial or legal interests of its income at any time after the execution of this Agreement without the Lender's prior written consent
- 5.6 The Borrower shall not request the Company to distribute dividends or profits to it, neither shall the Borrower, in the capacity of the shareholder of the Company, approve board resolutions to distribute dividends or profits to it.
- 5.7 The Borrower shall not supplement, modify nor amend the articles of association of the Company nor to increase or decrease the Company's registered capital, or to change the capital structure of the Company in any way without the Lender's prior written consent.
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- 5.8 The Borrower shall operate prudently and effectively all the business in accordance with the good financial and business standards and customs to maintain the existence of the Company; Upon the request of the Lender, the Borrower shall provide the Lender with all materials regarding to the operating and financial status of the Company; The Borrower shall ensure that all the business of the Company are operated in the normal course to maintain the value of its assets.
- 5.9 Without Lender's prior written consent, the Borrower shall not make any resolution to create any liability for the Company, except (i) the liability arising from the normal course of business, but not arising from loans; and (ii) the liability reported to the Lender and approved by the Lender in writing.
- 5.10 The Borrower shall not execute any material contracts (a contract will be deemed material if its value exceeds RMB100,000 herein under this Section) without Lender's prior written consent, except for those executed during the normal course of business.
- 5.11 The Borrower shall execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate lawsuits or make all necessary and appropriate defenses against all claims in order to maintain its equity in the Company; The Borrower shall inform promptly the Lender of any pending or threatened lawsuit, arbitration or administrative proceedings concerning the Company.
- 5.12 Any shareholder right of the Company the Borrower is entitled to shall only be exercised upon the authorization and the request of the Lender.
- 5.13 The Borrower shall comply strictly with the provisions of this Agreement, fully perform its obligations under this Agreement and not conduct any act or omission that affects or impairs the validity and enforceability of this Agreement.

6. Taxes and Costs

Unless otherwise provided hereunder, all the taxes and costs that are generated in accordance with laws and regulations from this Agreement for each Party shall be duly borne respectively by each Party, provided that the taxes and other reasonable costs regarding the Loan shall be borne by the Lender, except for the Borrower's defaults.

7. The Effectiveness and the Termination of the Agreement

7.1 This Agreement shall be effective upon the execution date.

7.2 All Parties acknowledge and agree that this Agreement shall be terminated on the date that all obligations under this Agreement are respectively fulfilled by each Party. All Parties acknowledge and agree that the obligations of the Borrower herein are deemed to be fully fulfilled only when the following conditions are all satisfied:

- (1) The Borrower has transferred all equity interests of the Company it holds to the Lender and /or its designee; and
- (2) The Borrower has paid all proceeds from equity transfer to the Lender as loan repayment.

7.3 The Borrower shall not terminate or revoke this Agreement unless (a)the Lender commits a gross negligence, fraud or other material illegal acts; or (b)the Lender goes bankrupt, dissolution or is ordered to close down by law.

8. Default

In case any Party breaches any term of this Agreement (the “**Defaulting Party**”) and such breach constitutes any harm to the other Party (the“**Non-defaulting Party**”), the Non-defaulting Party may give the Defaulting Party a written notice, requesting the Defaulting Party to immediately correct and remedy the default. In the event that the remedy to the breach the Defaulting Party undertaken does not suffice the Non-defaulting Party within fifteen (15) working days after the above notice is delivered, the Non-defaulting Party may immediately take actions in accordance with this Agreement or make other remedies by legal means.

9. Confidentiality

All Parties acknowledge and agree that any oral or written materials that are exchange between the Parties are confidential and shall be kept confidential by all Party. Each Party shall not disclose any of these materials to a third party unless in the following circumstances:

- (a) Such materials are known or will be known by public, which is not a result of the unauthorized disclosure from the Party that accepts materials;
 - (b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
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- (c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Any breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and such Party be bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall remain valid.

10. Notice

Any notice or other communication made by the Party herein shall be in written form and deliver to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seventh days after such letter has been sent with its postage paid (shown on a postmarks) or on the fourth days after such letter is given to an international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A

Recipient: Man GUO

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

Address for Party B

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

11. Applicable Laws and Dispute Resolution

11.1 The formation, validity, interpretation, performance, amendment and termination of and resolution of disputes in connection with this Agreement shall be governed by PRC laws.

11.2 Any dispute, controversy or claim arising from the interpretation or performance in connection with this Agreement (including any question regarding its existence, validity or termination) shall be settled by the Parties through amicable negotiations.

11.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights under this Agreement shall be respectively entitled to each Party and the other obligations shall be fulfilled respectively by each Party.

12. Miscellaneous

12.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.

12.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions or written agreements reached by the Parties with respect to the subject matter hereof.

12.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assignees. Without prior written approval of the Lender, the Borrower shall not transfer, pledge or otherwise assign any of its rights, benefits or obligations under this Agreement.

12.4 The Borrower herein agrees that (i) In case the Borrower dies, the Borrower agrees to immediately transfer his rights and obligations to a designated person of the Lender; and (ii) the Lender may transfer its rights and duties under this Agreement to a third party at any time the Lender desires upon a written notice to the Borrower. Such transfer does not require the Borrower's consent.

12.5 Either Party fails to enforce any right under this Agreement shall not constitute a waiver of such right, nor shall such failure prevent the Party to enforce such right in the future.

12.6 If any clause of this Agreement is held to be invalid or unenforceable by the competent courts, governmental departments or arbitration agencies, such provision shall not affect the validity and enforceability of the remainder of this Agreement. The Parties should cease to perform such invalid or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.

12.7 The amount of each installment of the loan and other matters shall be confirmed upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form agreed by all Parties. Any amendment, modification, supplement or annex to this Agreement that is duly signed by all Parties shall form an integral part of this Agreement and have the same legal effect as this Agreement.

12.8 This Agreement is executed in two (2) counterparts, each party hereto holding one (1) counterpart. Each counterpart shall have the same legal effect.

[No text below]

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date of first set forth above.

AirMedia Technology (Beijing) Co., Ltd.

Signature: /s/ Guo Man _____

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

Guo Man

Signature:/s/ Guo Man

Loan Agreement

This loan agreement (the "**Agreement**") is entered by the following parties on June 5, 2015 in Beijing, People's Republic of China ("**PRC**"):

Party A: AirMedia Technology (Beijing) Co., Ltd(hereinafter referred to as the "**Lender**").

Registered address: Room 3088, Building 1, No. 2 of Heng Fu Zhong Street, Science Town, Fengtai District, Beijing

Legal Representative: Guo Man

Party B: Xu Qing (hereinafter referred to as the "**Borrower**")

Residence: No. 204, Building 5, Xibahe Xili, Chaoyang District, Beijing

ID Number:

(Each of the parties listed above shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**".)

Whereas:

- (1) The Borrower, upon the request of the Lender, serves as a shareholder of AirMedia Online Network Technology Ltd., Co. (hereinafter referred to as the "Company", with the registered capital of RMB50 million). The Borrower holds 15% of the total equity interests of the Company;
 - (2) The Lender agrees to provide a loan of RMB7.5 million in aggregate by installments to the Borrower to pay the capital contribution to the Company;
 - (3) By entering into this Agreement, each Party intends to set out the rights and obligations for the Borrower and the Lender under the loan.
-

NOW THEREFORE, through mutual consensus, the Parties hereby agree as follows

1. Loan

- 1.1 In accordance with the terms and the conditions of this Agreement, the Lender agrees to provide a loan of RMB7.5 million in aggregate (the “**Loan**”) to the Borrower. The Borrower agrees to the receipt of the Loan. Within 40 working days after the execution of this Agreement, the Lender shall provide the Borrower with the first installment with the amount of RMB 300,000. The supplement time and specific amount of the remainder of the Loan shall be determined by both Parties by entering into supplementary agreement.
- 1.2 The Borrower hereby acknowledges and covenants that the whole amount of the Loan should be applied towards the payment for the registered capital to the Company or to provide financial support to the Company.
- 1.3 All Parties acknowledge that the Borrower shall, in accordance with the requirements of this Agreement, fulfill its obligation of repayment of the Loan to the Lender and other obligations under this Agreement.

2. Term of the Loan

- 2.1 The term of the Loan under this Agreement shall last ten (10) years, starting from the execution date of this Agreement. Unless the Lender raises a written objection within 30 working days prior to the expiration date of the Loan, the term of the Loan shall be automatically extended by one (1) year and so forth.
 - 2.2 Within the term of this Loan or any extended term of the Loan under this Agreement, the Lender, under the following circumstances, is entitled to decide an immediate due to the Loan with a written notice and request the Borrower to repay the loan in accordance with this Agreement:
 - (1) The Borrower resigns from or is dismissed by the Lender or any of its affiliates;
 - (2) The Borrower dies or loses capacity for civil acts, or with limited capacity for civil conduct;
 - (3) The Borrower commits a crime or is involved in a crime;
 - (4) Any third party claims more than RMB100,000 against the Borrower; or
 - (5) Any representation or warranty made by the Borrower under this agreement is otherwise proved to be false or not true in any substantial aspect; or the Borrower violate any obligation under this Agreement; or
-

(6) The Lender determines to exercise the call option right under the Call Option Agreement set forth under this Agreement.

3. Repayment of the Loan

3.1 The Lender shall at any time, upon its absolute discretion, deliver a notice of repayment to the Borrower fifteen days in advance and require the Borrower to make partial or full repayment of the Loan.

3.2 All Parties hereby agree and acknowledge that the Borrower shall repay the Loan only in the manner as given below: Under the circumstances of expired loan, at the Lender's written request, the Borrower or any of its successors, assignees shall transfer its equity of the Company to the Lender or its designee under PRC law and use the proceeds from such equity transfer to repay the Loan under this Agreement.

3.3 The Parties hereby acknowledge and agree that the Borrower's obligations under this Agreement are deemed to be fully performed only if all the following requirements are satisfied:

(1) The Borrower has transferred all its equity of the Company to the Lender and/or its designee; and

(2) The Borrower has paid to Lender all proceeds from equity transfer or the maximum amount permitted by laws as loan repayment.

4. Interest of the Loan

4.1 The parties hereby agree and acknowledge that, the Loan under this Agreement shall be interest-free.

4.2 Notwithstanding the forgoing, the Parties hereby acknowledge and agree that where the Loan is due and the Borrower needs to transfer its equity hereof to the Lender and/or its designee, if the actual equity transfer price is higher than the Borrower's loan principal due to legal requirements or other causes, the excess shall be deemed as the loan interest or fund utilization costs to the extent permitted by PRC laws, and shall be paid to the Lender together with the loan principal.

5. Representations, Warranties and Undertakings of the Borrower

- 5.1 The Borrower shall provide the Lender with a photocopy of its certificate of capital contribution, which shows the Borrower holds 15% of the total equity interests of the Company.
 - 5.2 As the guarantee of the Loan, the Borrower agrees to pledge all of the equity interests held by it in the Company to the Lender and grant a call option right to purchase such equity interests. The Borrower agrees to enter into an equity pledge agreement and exclusive call option agreement upon the request of the Lender.
 - 5.3 Except for those equity pledges or other rights set for the benefit of the Lender, without Lender's prior written consent, the Borrower shall not sell, transfer, mortgage or otherwise dispose of or set any other security interest against its equity or other interests in the Company, unless such equity pledges or rights are provided to the Lender and/or the designee of the Lender.
 - 5.4 Without Lender's prior written consent, the Borrower shall not vote for, support at board of the shareholders or sign any board resolution approving the Company to be merged or consolidated with, acquire or invest in any person (a "person" refers to any individual, company, partnership or any other entity under this Agreement).
 - 5.5 Without the Lender's prior written consent, the Borrower shall not conduct any act and/or omission that may materially affect the assets, business and liabilities of the Company; the Borrower shall not sell, transfer, mortgage or otherwise dispose of, or set any other security interest against, any of its assets, business or the beneficial or legal interests of its income at any time after the execution of this Agreement without the Lender's prior written consent.
 - 5.6 The Borrower shall not request the Company to distribute dividends or profits to it, neither shall the Borrower, in the capacity of the shareholder of the Company, approve board resolutions to distribute dividends or profits to it.
 - 5.7 The Borrower shall not supplement, modify nor amend the articles of association of the Company nor to increase or decrease the Company's registered capital, or to change the capital structure of the Company in any way without the Lender's prior written consent
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- 5.8 The Borrower shall operate prudently and effectively all the business in accordance with the good financial and business standards and customs to maintain the existence of the Company; Upon the request of the Lender, the Borrower shall provide the Lender with all materials regarding to the operating and financial status of the Company; The Borrower shall ensure that all the business of the Company are operated in the normal course to maintain the value of its assets.
- 5.9 Without Lender's prior written consent, the Borrower shall not make any resolution to create any liability for the Company, except (i) the liability arising from the normal course of business, but not arising from loans; and (ii) the liability reported to the Lender and approved by the Lender in writing.
- 5.10 The Borrower shall not execute any material contracts (a contract will be deemed material if its value exceeds RMB 100,000.00 herein under this Section) without Lender's prior written consent, except for those executed during the normal course of business.
- 5.11 The Borrower shall execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate lawsuits or make all necessary and appropriate defenses against all claims in order to maintain its equity in the Company; The Borrower shall inform promptly the Lender of any pending or threatened lawsuit, arbitration or administrative proceedings concerning the Company.
- 5.12 Any shareholder right of the Company the Borrower is entitled to shall only be exercised upon the authorization and the request of the Lender.
- 5.13 The Borrower shall comply strictly with the provisions of this Agreement, fully perform its obligations under this Agreement and not conduct any act or omission that affects or impairs the validity and enforceability of this Agreement.

6. Taxes and Costs

Unless otherwise provided hereunder, all the taxes and costs that are generated in accordance with laws and regulations from this Agreement for each Party shall be duly borne respectively by each Party, provided that the taxes and other reasonable costs regarding the Loan shall be borne by the Lender, except for the Borrower's defaults.

7. The Effectiveness and the Termination of the Agreement

7.1 This Agreement shall be effective upon the execution date.

7.2 All Parties acknowledge and agree that this Agreement shall be terminated on the date that all obligations under this Agreement are respectively fulfilled by each Party. All Parties acknowledge and agree that the obligations of the Borrower herein are deemed to be fully fulfilled only when the following conditions are all satisfied:

- (1) The Borrower has transferred all equity interests of the Company it holds to the Lender and /or its designee; and
- (2) The Borrower has paid all proceeds from equity transfer to the Lender as loan repayment.

7.3 The Borrower shall not terminate or revoke this Agreement unless (a)the Lender commits a gross negligence, fraud or other material illegal acts; or (b)the Lender goes bankrupt, dissolution or is ordered to close down by law.

8. Default

In case any Party breaches any term of this Agreement (the “**Defaulting Party**”) and such breach constitutes any harm to the other Party (the“**Non-defaulting Party**”), the Non-defaulting Party may give the Defaulting Party a written notice, requesting the Defaulting Party to immediately correct and remedy the default. In the event that the remedy to the breach the Defaulting Party undertaken does not suffice the Non-defaulting Party within fifteen (15) working days after the above notice is delivered, the Non-defaulting Party may immediately take actions in accordance with this Agreement or make other remedies by legal means.

9. Confidentiality

All Parties acknowledge and agree that any oral or written materials that are exchange between the Parties are confidential and shall be kept confidential by all Party. Each Party shall not disclose any of these materials to a third party unless in the following circumstances:

- (a) Such materials are known or will be known by public , which is not a result of the unauthorized disclosure from the Party that accepts materials;
 - (b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
-

- (c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Any breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and such Party be bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall remain valid.

10. Notice

Any notice or other communication made by the Party herein shall be in written form and deliver to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seventh days after such letter has been sent with its postage paid (shown on a postmarks) or on the fourth days after such letter is given to an international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A

Recipient: Man GUO

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

Address for Party B

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

11. Applicable Laws and Dispute Resolution

11.1 The formation, validity, interpretation, performance, amendment and termination of and resolution of disputes in connection with this Agreement shall be governed by PRC laws.

11.2 Any dispute, controversy or claim arising from the interpretation or performance in connection with this Agreement (including any question regarding its existence, validity or termination) shall be settled by the Parties through amicable negotiations.

11.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights under this Agreement shall be respectively entitled to each Party and the other obligations shall be fulfilled respectively by each Party.

12. Miscellaneous

12.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.

12.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions or written agreements reached by the Parties with respect to the subject matter hereof.

12.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assignees. Without prior written approval of the Lender, the Borrower shall not transfer, pledge or otherwise assign any of its rights, benefits or obligations under this Agreement.

12.4 The Borrower herein agrees that (i) In case the Borrower dies, the Borrower agrees to immediately transfer his rights and obligations to a designated person of the Lender; and (ii) the Lender may transfer its rights and duties under this Agreement to a third party at any time the Lender desires upon a written notice to the Borrower. Such transfer does not require the Borrower's consent.

12.5 Either Party fails to enforce any right under this Agreement shall not constitute a waiver of such right, nor shall such failure prevent the Party to enforce such right in the future.

12.6 If any clause of this Agreement is held to be invalid or unenforceable by the competent courts, governmental departments or arbitration agencies, such provision shall not affect the validity and enforceability of the remainder of this Agreement. The Parties should cease to perform such invalid or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.

12.7 The amount of each installment of the loan and other matters shall be confirmed upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form agreed by all Parties. Any amendment, modification, supplement or annex to this Agreement that is duly signed by all Parties shall form an integral part of this Agreement and have the same legal effect as this Agreement.

12.8 This Agreement is executed in two (2) counterparts, each party hereto holding one (1) counterpart. Each counterpart shall have the same legal effect.

[No text below]

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date of first set forth above.

AirMedia Technology (Beijing) Co., Ltd.

Signature: /s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

Xu Qing

Signature:/s/ Xu Qing

Loan Agreement

This loan agreement (the "**Agreement**") is entered by the following parties on June 5, 2015 in Beijing, People's Republic of China ("**PRC**"):

Party A: AirMedia Technology (Beijing) Co., Ltd (hereinafter referred to as the "**Lender**").

Registered address: Room 3088, Building 1, No. 2 of Heng Fu Zhong Street, Science Town, Fengtai District, Beijing

Legal Representative: Guo Man

Party B: Hong Tao (hereinafter referred to as the "**Borrower**")

Residence: No.2008, Building 73, Yongle Community, Shijingshan District, Beijing

ID Number:

(Each of the parties listed above shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**".)

Whereas:

- (1) The Borrower, upon the request of the Lender, serves as a shareholder of AirMedia Online Network Technology Ltd., Co. (hereinafter referred to as the "Company", with the registered capital of RMB50 million). The Borrower holds 5% of the total equity interests of the Company;
 - (2) The Lender agrees to provide a loan of RMB2.5 million in aggregate by installments to the Borrower to pay the capital contribution to the Company;
 - (3) By entering into this Agreement, each Party intends to set out the rights and obligations for the Borrower and the Lender under the loan.
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NOW THEREFORE, through mutual consensus, the Parties hereby agree as follows:

1. Loan

- 1.1 In accordance with the terms and the conditions of this Agreement, the Lender agrees to provide a loan of RMB2.5 million in aggregate (the “**Loan**”) to the Borrower. The Borrower agrees to the receipt of the Loan. Within 40 working days after the execution of this Agreement, the Lender shall provide the Borrower with the first installment with the amount of RMB 100,000. The supplement time and specific amount of the remainder of the Loan shall be determined by both Parties by entering into supplementary agreement.
- 1.2 The Borrower hereby acknowledges and covenants that the whole amount of the Loan should be applied towards the payment for the registered capital to the Company or to provide financial support to the Company.
- 1.3 All Parties acknowledge that the Borrower shall, in accordance with the requirements of this Agreement, fulfill its obligation of repayment of the Loan to the Lender and other obligations under this Agreement.

2. Term of the Loan

- 2.1 The term of the Loan under this Agreement shall last ten (10) years, starting from the execution date of this Agreement. Unless the Lender raises a written objection within 30 working days prior to the expiration date of the Loan, the term of the Loan shall be automatically extended by one (1) year and so forth.
 - 2.2 Within the term of this Loan or any extended term of the Loan under this Agreement, the Lender, under the following circumstances, is entitled to decide an immediate due to the Loan with a written notice and request the Borrower to repay the loan in accordance with this Agreement:
 - (1) The Borrower resigns from or is dismissed by the Lender or any of its affiliates;
 - (2) The Borrower dies or loses capacity for civil acts or with limited capacity for civil conduct;
 - (3) The Borrower commits a crime or is involved in a crime;
 - (4) Any third party claims more than RMB100,000 against the Borrower; or
 - (5) Any representation or warranty made by the Borrower under this agreement is otherwise proved to be false or not true in any substantial aspect; or the Borrower violates any obligation under this Agreement; or
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(6) The Lender determines to exercise the call option right under the Call Option Agreement set forth under this Agreement.

3. Repayment of the Loan

3.1 The Lender shall at any time, upon its absolute discretion, deliver a notice of repayment to the Borrower fifteen days in advance and require the Borrower to make partial or full repayment of the Loan.

3.2 All Parties hereby agree and acknowledge that the Borrower shall repay the Loan only in the manner as given below: Under the circumstances of expired loan, at the Lender's written request, the Borrower or any of its successors, assignees shall transfer its equity of the Company to the Lender or its designee under PRC law and use the proceeds from such equity transfer to repay the Loan under this Agreement.

3.3 The Parties hereby acknowledge and agree that the Borrower's obligations under this Agreement are deemed to be fully performed only if all the following requirements are satisfied:

(1) The Borrower has transferred all its equity of the Company to the Lender and/or its designee; and

(2) The Borrower has paid to Lender all proceeds from equity transfer or the maximum amount permitted by laws as loan repayment.

4. Interest of the Loan

4.1 The parties hereby agree and acknowledge that, the Loan under this Agreement shall be interest-free.

4.2 Notwithstanding the foregoing, the Parties hereby acknowledge and agree that where the Loan is due and the Borrower needs to transfer its equity hereof to the Lender and/or its designee, if the actual equity transfer price is higher than the Borrower's loan principal due to legal requirements or other causes, the excess shall be deemed as the loan interest or fund utilization cost to the extent permitted by PRC laws, and shall be paid to the Lender together with the loan principal.

5. Representations, Warranties and Undertakings of the Borrower

- 5.1 The Borrower shall provide the Lender with a photocopy of its certificate of capital contribution, which shows the Borrower holds 5% of the total equity interests of the Company.
 - 5.2 As the guarantee of the Loan, the Borrower agree to pledge all of the equity interests held by it in the Company to the Lender and grant a call option right to purchase such equity interests. The Borrower agrees to enter into an equity pledge agreement and exclusive call option agreement upon the request of the Lender.
 - 5.3 Except for those equity pledges or other rights set for the benefit of the Lender, without Lender's prior written consent, the Borrower shall not sell, transfer, mortgage or otherwise dispose of or set any other security interest against its equity or other interests in the Company, unless such equity pledges or rights are provided to the Lender and/or the designee of the Lender.
 - 5.4 Without Lender's prior written consent, the Borrower shall not vote for, support at board of the shareholders or sign any board resolution approving the Company to be merged or consolidated with, acquire or invest in any person (a "person" refers to any individual, company, partnership or any other entity under this Agreement).
 - 5.5 Without the Lender's prior written consent, the Borrower shall not conduct any act and/or omission that may materially affect the assets, business and liabilities of the Company; the Borrower shall not sell, transfer, mortgage or otherwise dispose of, or set any other security interest against, any of its assets, business or the beneficial or legal interests of its income at any time after the execution of this Agreement without the Lender's prior written consent
 - 5.6 The Borrower shall not request the Company to distribute dividends or profits to it, neither shall the Borrower, in the capacity of the shareholder of the Company, approve board resolutions to distribute dividends or profits to it.
 - 5.7 The Borrower shall not supplement, modify nor amend the articles of association of the Company nor to increase or decrease the Company's registered capital, or to change the capital structure of the Company in any way without the Lender's prior written consent.
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- 5.8 The Borrower shall operate prudently and effectively all the business in accordance with the good financial and business standards and customs to maintain the existence of the Company; Upon the request of the Lender, the Borrower shall provide the Lender with all materials regarding to the operating and financial status of the Company; The Borrower shall ensure that all the business of the Company are operated in the normal course to maintain the value of its assets.
- 5.9 Without Lender's prior written consent, the Borrower shall not to make any resolution to create any liability for the Company, except (i) the liability arising from the normal course of business, but not arising from loans; and (ii) the liability reported to the Lender and approved by the Lender in writing.
- 5.10 The Borrower shall not execute any material contracts (a contract will be deemed material if its value exceeds RMB 100,000.00 herein under this Section) without Lender's prior written consent, except for those executed during the normal course of business.
- 5.11 The Borrower shall execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate lawsuits or make all necessary and appropriate defenses against all claims in order to maintain its equity in the Company; The Borrower shall inform promptly the Lender of any pending or threatened lawsuit, arbitration or administrative proceedings concerning the Company.
- 5.12 Any shareholder right of the Company the Borrower is entitled to shall only be exercised upon the authorization and the request of the Lender.
- 5.13 The Borrower shall comply strictly with the provisions of this Agreement, fully perform its obligations under this Agreement and not conduct any act or omission that affects or impairs the validity and enforceability of this Agreement.

6. Taxes and Costs

Unless otherwise provided hereunder, all the taxes and costs that are generated in accordance with laws and regulations from this Agreement for each Party shall be duly borne respectively by each Party, provided that the taxes and other reasonable costs regarding the Loan shall be borne by the Lender, except for the Borrower's defaults.

7. The Effectiveness and the Termination of the Agreement

7.1 This Agreement shall be effective upon the execution date.

7.2 All Parties acknowledge and agree that this Agreement shall be terminated on the date that all obligations under this Agreement are respectively fulfilled by each Party. All Parties acknowledge and agree that the obligations of the Borrower herein are deemed to be fully fulfilled only when the following conditions are all satisfied:

(1)The Borrower has transferred all equity interests of the Company it holds to the Lender and /or its designee; and

(2)The Borrower has paid all proceeds from equity transfer to the Lender as loan repayment.

7.3 The Borrower shall not terminate or revoke this Agreement unless (a)the Lender commits a gross negligence, fraud or other material illegal acts; or (b)the Lender goes bankrupt, dissolution or is ordered to close down by law.

8. Default

In case any Party breaches any term of this Agreement (the “**Defaulting Party**”) and such breach constitutes any harm to the other Party (the“**Non-defaulting Party**”), the Non-defaulting Party may give the Defaulting Party a written notice, requesting the Defaulting Party to immediately correct and remedy the default. In the event that the remedy to the breach the Defaulting Party undertaken does not suffice the Non-defaulting Party within fifteen (15) working days after the above notice is delivered, the Non-defaulting Party may immediately take actions in accordance with this Agreement or make other remedies by legal means.

9. Confidentiality

All Parties acknowledge and agree that any oral or written materials that are exchange between the Parties are confidential and shall be kept confidential by all Party. Each Party shall not disclose any of these materials to a third party unless in the following circumstances:

(a) Such materials are known or will be known by public , which is not a result of the unauthorized disclosure from the Party that accepts materials;

(b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or

- (c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Any breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and such Party be bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall remain valid.

10. Notice

Any notice or other communication made by the Party herein shall be in written form and deliver to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seventh days after such letter has been sent with its postage paid (shown on a postmarks) or on the fourth days after such letter is given to an international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A

Recipient: Man GUO

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

Address for Party B

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number: 010-84608181

Fax Number: 010-84608098

11. Applicable Laws and Dispute Resolution

- 11.1 The formation, validity, interpretation, performance, amendment and termination of and resolution of disputes in connection with this Agreement shall be governed by PRC laws.
- 11.2 Any dispute, controversy or claim arising from the interpretation or performance in connection with this Agreement (including any question regarding its existence, validity or termination) shall be settled by the Parties through amicable negotiations.
- 11.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights under this Agreement shall be respectively entitled to each Party and the other obligations shall be fulfilled respectively by each Party.

12. Miscellaneous

- 12.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.
- 12.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions or written agreements reached by the Parties with respect to the subject matter hereof.
- 12.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assignees. Without prior written approval of the Lender, the Borrower shall not transfer, pledge or otherwise assign any of its rights, benefits or obligations under this Agreement.
- 12.4 The Borrower herein agrees that (i) In case the Borrower dies, the Borrower agrees to immediately transfer his rights and obligations to a designated person of the Lender; and (ii) the Lender may transfer its rights and duties under this Agreement to a third party at any time the Lender desires upon a written notice to the Borrower. Such transfer does not require the Borrower's consent.
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12.5 Either Party fails to enforce any right under this Agreement shall not constitute a waiver of such right, nor shall such failure prevent the Party to enforce such right in the future.

12.6 If any clause of this Agreement is held to be invalid or unenforceable by the competent courts, governmental departments or arbitration agencies, such provision shall not affect the validity and enforceability of the remainder of this Agreement. The Parties should cease to perform such invalid or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.

12.7 The amount of each installment of the loan and other matters shall be confirmed upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form agreed by all Parties. Any amendment, modification, supplement or annex to this Agreement that is duly signed by all Parties shall form an integral part of this Agreement and have the same legal effect as this Agreement.

12.8 This Agreement is executed in two (2) counterparts, each party hereto holding one (1) counterpart. Each counterpart shall have the same legal effect.

[No text below]

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date of first set forth above.

AirMedia Technology (Beijing) Co., Ltd.

Signature: /s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

Hont Tao

Signature: /s/ Hong Tao

Exclusive Call Option Agreement

With respect to AirMedia Online Network Technology Co., Ltd.

This Exclusive Call Option Agreement (the “**Agreement**”) is entered into by and among the following Parties on June 5th, 2015 in Beijing, People’s Republic of China (“**China**”):

Party A: AirMedia Technology (Beijing) Co., Ltd.

Registered address: Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing

Legal Representative: Guo Man

Party B: Guo Man

Address: Rooms No. 1-3, 5/F, Gate No. 2, Building 3, Airport Beipingli, Chaoyang District, Beijing

ID Number:

Xu Qing

Address: Room No. 204, 5/F, Xibahehexili, Chaoyang District, Beijing

ID Number:

Hong Tao

Address: Room No. 2008, 73/F, Yongle Community, Shijingshan District, Beijing

ID Number:

Party C: AirMedia Online Network Technology Co., Ltd.

Registered address: Room 402 in 401, Floor 4, Building 26, Dongzhimenwai Avenue, Chaoyang District, Beijing

Legal Representative: Xu Qing

(The above Parties are respectively referred to as a "Party", together referred to as the "Parties" under this Agreement.)

Whereas:

- (1) Party B is the registered shareholder of Party C and collectively hold 100% of the equity interest in Party C, Among which, Guo Man, Xu Qing and Hong Tao holds 80%, 15% and 5% of the equity interest in Party C, respectively;
 - (2) Party A agrees to provide a loan of RMB 50,000,000.00 to Party B, in accordance with the Loan Agreement entered into by and among Party A, Party B and Party C on June 5th, 2015;
 - (3) Party B and Party C agree to pledge all equity interest held by them in Party C to Party A, in accordance with the Equity Interest Pledge Agreement entered into by and among Party A, Party B and Party C on June 5th, 2015;
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(4) Party A and Party C have signed an Exclusive Technology Consulting and Service Agreement (the “Technology Consulting and Service Agreement”) on June 5th, 2015;

(5) Party B and Party C agree, through this Agreement, to grant Party A an exclusive option, and Party A agrees to adopt the option to purchase all or part of equity interest held by Party B and Party C in Party C.

NOW, THEREFORE, all Parties, through friendly negotiations, hereby agree as follows:

1 Call Option

1.1 Granting of Rights

Party B hereby grants, exclusively and irrevocably, an exclusive option (“**Call Option**”) to Party A to purchase or cause any person or persons designated by Party A (the “**Designee**”) to purchase from Party B at any time, to the extent permitted by PRC laws and in accordance with the steps as determined by Party A at its own discretion, all or part of equity interest (collectively or respectively) Party B holds in Party C (the “**Target Equity Interest**”) at the price specified in Article 1.3 of this Agreement. Other than Party A and/or the Designee, no third person is entitled to enjoy the Call Option. The “person” set forth in this Agreement shall include any individual, corporation, joint venture, partnership, enterprise, trust or non-corporation organization.

1.2 Exercising Steps

Party A and/or the Designee could exercise the right after delivering the written notice of purchasing equity interest (the “**Notice**”) indicating the percentage of the Target Equity Interest to be purchased (the “**Target Equity Interest**”) from Party B and the measures of purchase to Party B.

Party B shall, within seven (7) working days after receiving the Notice, enter into an equity interest transfer agreement with Party A and/or the Designee, ensure the Target Equity Interest would be transferred to Party A and/or the Designee as quick as possible and take all necessary actions to complete relevant industry and commerce registration of change formalities.

1.3 Purchase Price

- 1.3.1 Unless the applicable PRC laws and regulations require appraisal of the Target Equity Interest or have other restrictions on the price of the Target Equity Interest, when Party A exercises the Call Option, the Purchase Price of the Target Equity Interest (the “**Purchase Price**”) shall equal to the amount of registered capital or consideration of the Target Equity Interest actually paid by Party B in respect to the Target Equity Interest.
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1.3.2 In the event that applicable PRC laws and regulations require appraisal of the Target Equity Interest or have other restrictions on the price of the Target Equity Interest, when Party A exercises the Call Option, Party A and Party B agree that the Purchase Price of the Target Equity Interest shall be the lowest price permitted by applicable laws. In the event that the lowest price permitted by applicable laws is higher than the registered capital of the corresponding Target Equity Interest, Party B and Party B shall pay Party A the surplus amounts in accordance with the Loan Agreement.

1.4 Transfer of the Target Equity Interest

After Party A sending out the Notice in accordance with this Agreement, at each execution of the Call Option:

1.4.1 Party B shall cause Party C to convene a shareholders' meeting in time, at which to adopt a resolution on the transferring by Party B of the Target Equity Interest to Party A and/or the Designee, and Party B shall waive the preemptive right to the said Target Equity Interest to other shareholder of Party C by signing a commitment letter;

1.4.2 Party B shall, subject to the terms and conditions of this Agreement and the Notice related to the Target Equity Interest, enter into an equity interest transfer agreement recognized by Party A and/or the Designee for each transfer;

1.4.3 The related Parties shall execute all other requisite contracts, agreements or documents, obtain all requisite government approvals and consents and take all necessary actions to transfer the ownership of the Target Equity Interest to Party A and/or the Designee and make Party A and/or the Designee the legal owner of the Target Equity Interest registered in the Industrial and Commerce Department, without carrying any security interest or other burden of rights, . In this Article and this Agreement, "Security Interest" shall include guarantee, mortgage, pledge, third-party right or interest, any share option, right of acquisition, preemptive right, right of set-off, retention of title or other security arrangements, but excluding any security interest arising under the Equity Interest Pledge Agreement .

1.4.4 Party B and Party C shall, unconditionally, endeavor to assist Party A and or the Designee to obtain all requisite government approvals, permits, registrations, filings and completion of all necessary procedure in respect to the transfer of the Target Equity Interest.

1.5 Payment

The payment measure of the Purchase Price shall be subject to the negotiations between Party A and/or the Designee and Party B in accordance with the laws applicable at the execution of the Call Option. Party A and Party B agree hereof, Party B shall, subject to the applicable laws and the Loan Agreement, refund Party A any payments from Party A and/or the Designee for purchasing the Target Equity Interest to repay the principal and interests permitted by law or the cost of funds occupation under the Loan Agreement.

2 Undertakings of Party B and Party C

- 2.1 Party B and Party C will not, without Party A's prior written consent, supplement, amend or modify Party C's articles of association in any way, increase or decrease its registered capital, or change its registered capital structure by other means.
 - 2.2 At Party A's request at any time, Party B and Party C will transfer their equity interest to Party A and/or the Designee immediately, unconditionally and at any time, and waive preemptive right to the said equity interest to other shareholder of Party C.
 - 2.3 Without Party A's prior written consent, Party B and Party C will not, at the shareholders' meeting of Party C, agree to, support or execute a resolution on approving Party C to be merged or consolidated with, to be acquired, acquire or invest in any person.
 - 2.4 Based on good financial and commercial standards and practices, to maintain Party C's existence, prudently and effectively deal with its businesses and affairs; undertakes to operate all business in normal business process in order to keep the value of Party C's assets, do not carry out any acts or omissions which has adverse influence on its business and value of assets.
 - 2.5 Without Party A's prior written consent, Party B and Party C will not, at the shareholders' meeting of Party C, agree to, support or execute a resolution on selling, transferring, mortgaging or otherwise disposing of, or cause any other security interest to be created on, its legal or beneficial right of any Target Equity Interest, except the pledge caused on the equity interest of Party C subject to the Equity Interest Pledge Agreement.
 - 2.6 Without Party A's prior written consent, Party B and Party C will no conduct any acts and/or omissions which has possible significant influence on Party C's assets, business and liability; without Party A's prior written consent, Party B and Party C will not sell, transfer, mortgage or otherwise dispose of, or cause any other security interest on the legal right or beneficial interest right of any asset, business or income at any time after the execution date of this Agreement.
 - 2.7 Without Party A's prior written consent, there is no occurrence, inheritance, guarantee or allow any debts, except for (i) debts generated from the normal or daily business other than loan; and (ii) debts which have been disclosed to Party A and debts with written consent by Party A.
 - 2.8 Without Party A's prior written consent, Party B and Party C will not enter into any material contracts (the material contract set forth in this article means the one which value exceeds RMB 100,000.00), except the contracts entered into in the process of the normal business.
 - 2.9 Without Party A's prior written consent, Party B and Party C will not provide any loan or credit to anyone.
 - 2.10 At request of Party A, will provide materials in respect to the business and financial circumstances of Party C to Party A.
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- 2.11 Promptly inform Party A of any litigation, arbitration or administrative proceedings pending or threatened against Party B's ownership of equity interest, Party C's assets, business and income.
- 2.12 Execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate claims or make all necessary and appropriate defenses against all claims in order to maintain its ownership of Party B over the equity interest.
- 2.13 Party B and Party C will execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate claims or make all necessary and appropriate defenses against all claims in order to maintain its ownership of Party C over the assets.
- 2.14 Party B and Party C will cause the shareholders' meeting to approve the transferring of the Target Equity Interest under this Agreement.
- 2.15 Party B and Party C will, at Party A's request, appoint the person nominated by Party A as the director or managers of the department of Party C.
- 2.16 Subject to the Power of Attorney signed by Party B on June 5th 2015, Party B and Party C will, under Party A's authority and only at the request of Party A, execute all rights as shareholders of Party C.
- 2.17 Party B and Party C will fully comply with the provisions of this Agreement and other agreements entered into by and among Party B and Party C, or Party C and Party A, respectively or mutually, to perform all obligations under such agreements and not to do any act or omission that affects the validity and enforceability of such agreements.

3 Liabilities for Breach of Contract

- 3.1 Where any Party (the "**Breaching Party**") breach any article of this Agreement and cause loss to any other Party (the "**Non-breaching Party**"), the Non-breaching Party is entitled to deliver written notice requiring immediate rectification; in the event that the Breaching Party fails to cure that breach by the ways satisfied with the Non-breaching Party within fifteen (15) working days of receiving written notice from the Non-breaching Party, the Non-breaching Party may immediately take relief measures in accordance with the methods set forth in this Agreement or by means of law.
 - 3.2 Events of breach of contract for Party B:
 - (1) Fail to perform any of its obligations hereunder, or any of its representations or warranties hereunder is untrue or proved materially inaccurate;
 - (2) Transfer, transfer by other means or take a pledge on any of its right under this Agreement without prior written consent of Party A;
 - (3) Any other breaching action of Party B causes this Agreement, the <Loan Agreement>, the Equity Interest Pledge Agreement and the <Technology Consulting and Service Agreement> to be invalid or unenforceable.
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3.3 In the event of default of Party B or if Party B violates the Loan Agreement, the Equity Interest Pledge Agreement and the Technology Consulting and Service Agreement, Party A shall be entitled to request Party B to transfer, subject to this Agreement, all or part of the Target Equity Interest to Party A and/or the Designee immediately.

3.4 Once the pledge has been realized by Party A in accordance with the Equity Interest Pledge Agreement, and Party A has obtained the relevant revenue and funds therein, the obligations hereunder shall be deemed as fully fulfilled by Party B, and Party A will not bring other payment claim against Party B.

4 Assignment of the Agreement

4.1 Party B shall not transfer any of its rights and obligations hereunder to any third party without Party A's prior written consent; in the event of Party B's death, Party B agrees that its rights and obligations hereunder will be inherited immediately by the Designee.

4.2 This Agreement shall bind upon Party B and its successor, Party A and each of its successors and assigns permitted by Party A. Party B agrees, in the event of its death, to dispose all equity interest it holds in Party C in the following way: 1. If allowed by the law by then, Party A has the ownership of the said equity interest; 2. If the law by then does not allow Party A to hold Party C's equity interest directly, the said equity interest will be at Party A's disposal.

4.3 Party B hereby agrees that Party A may transfer all its rights and obligations hereunder to a third party without the consent of Party B at the time needed, but such transfer shall be notified in writing to Party B at the time.

5 Effectiveness

5.1 This Agreement shall be effective from the date of execution.

5.2 Unless the provisions in this Agreement or relevant clauses set forth in further contracts signed by Parties terminate this Agreement before expiration, the valid term of this Agreement shall be ten (10) years. Upon written confirmation by Party A before expiration of this Agreement, the term could be extended; the extended period shall be determined by Party A.

5.3 In the event that Party A or Party C's business terms expire or are terminated by other reason during the period set forth in Article 5.2, this Agreement shall be terminated by then, unless Party A has, in light of Article 4.3 of this Agreement, transferred its rights and obligations.

6 Termination

6.1 At any time in the duration and extended period of this Agreement, Party A is entitled, in the event that Party A fails to execute its right set forth in Art. 1 of this Agreement subject to the applicable law of the time, to deliver written notice to Party B and Party C at its own discretion, indicating the unconditional cancellation of this Agreement and bear no liability.

- 6.2 In the event that Party C is terminated due to bankruptcy, dissolution or is ordered to close down by law in the duration and the extended term of this Agreement, obligations of Party B and Party C hereunder shall be released on the happening of the said circumstances. However, Party B and Party C shall perform related obligations in accordance with other agreements entered into with Party A, including but not limited to the Loan Agreement, the Equity Interest Pledge Agreement and the Technology Consulting and Service Agreement.
- 6.3 Unless otherwise stipulated in Article 6.2, Party B and Party C shall not terminate this Agreement unilaterally in the duration of this Agreement and the extended period.

7 Taxes and Costs

All the taxes and costs generated from the preparation, execution of this Agreement and completion of the transaction of this Agreement for each Party subject to PRC law shall be duly borne respectively by each Party. In spite of above agreement, Party A agrees to bear any tax and cost occurred from this Agreement for Party B, except when Party B breaches this Agreement.

8 Confidentiality

The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in respect of this Agreement shall be confidential information. No Party shall disclose such information to any third party without written consent by other Parties, unless the following circumstances:

- a) Such materials are known or will be known to the public, which is not a result of the unauthorized disclosure from the Party that accepts materials;
- b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
- c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and the Party shall bear the liability hereunder. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall survive.

9 Notice

Any notice or other communication made by the Party herein shall be in written form and delivered to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seven (7) day after such registered airmail has been sent with its postage paid (shown on a postmarks), or on the fourth (4) day after such letter is given to a international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A: AirMedia Technology (Beijing) Co., Ltd

Recipient: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party B:

Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Xu Qing

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Hong Tao

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party C: AirMedia Online Network Technology Co., Ltd.

Recipient: Xu Qing

Address: F/17, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

10 Applicable Laws and Dispute Resolution

- 10.1 The formation, validity, performance, interpretation and resolution of disputes in connection with this Agreement shall be governed by laws of the PRC.
 - 10.2 Any dispute arising from this Agreement shall be settled by the Parties through amicable negotiations.
-

10.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be Beijing. The arbitration award shall be final and binding upon the Parties. In the event that any dispute arising or is under arbitration, apart from the matters in controversy, the other rights and obligations hereunder shall be exercised and fulfilled respectively by each Party.

11 Miscellaneous

11.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.

11.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions and/or written agreements reached by the Parties with respect to the subject matter hereof.

11.3 This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and assignees.

11.4 Either Party fails to enforce any right timely hereunder shall not be deemed as a waiver of such right and shall not prevent the Party to enforce such right in the future.

11.5 If any clause of this Agreement is deemed to be invalid, null or unenforceable by the competent courts, or arbitration agencies, such provision shall not affect the validity and enforceability of the remainders of this Agreement. The Parties should cease to perform such invalid, null or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.

11.6 The unmentioned matters shall be decided upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form and signed by all Parties before becoming integral part of this Agreement and having same legal effect with the originals.

11.7 This Agreement may be executed in five (5) counterparts, each Party hereto shall hold one (1) counterpart. All counterparts have same legal effect.

[No text below]

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date first set forth above.

AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

Guo Man

Signature:/s/ Guo Man

Xu Qing

Signature:/s/ Xu Qing

Hong Tao

Signature:/s/ Hong Tao

AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd.

Power of Attorney

I, Guo Man, a citizen of the People's Republic of China ("China"), Chinese ID number _____, am a shareholder of AirMedia Online Network Technology Co., Ltd. ("AirMedia Online") and holds 80% of the equity interest in AirMedia Online. I hereby irrevocably authorize the representative appointed by AirMedia Technology (Beijing), Co., Ltd. ("AirMedia Technology"), within the term of validity of this Power of Attorney, to exercise the following rights:

Authorize the representative appointed by AirMedia Technology to exercise all of my rights as a shareholder on behalf of myself in accordance with PRC laws and the Articles of Association of AirMedia Online at the shareholders' meeting of AirMedia Online, including but not limited to, proposing to convene the shareholders' meeting, receiving notice with respect to the convening of shareholders' meeting and its discussion procedure, attending shareholders' meeting of AirMedia Online and exercising all voting rights as a shareholder holding 80% of the equity interest (including voting, nominating and appointing the director, general manager, CFO and other senior management of AirMedia Online, deciding bonus dividend and other matters, as my representative at the shareholders' meeting of AirMedia Online) and deciding sale or transfer of all or part of my equity interest in AirMedia Online.

The conditions precedent for the aforesaid authorization and delegation is that the representative appointed by AirMedia Technology shall be an employee of AirMedia Technology or its affiliated party and AirMedia Technology agrees with the aforesaid authorization and delegation in writing. Once the representative appointed by AirMedia Technology departs from AirMedia Technology or its affiliated party, or AirMedia Technology informs me to terminate the aforesaid authorization and delegation, I will immediately withdraw the delegation and authorization granted herein to him/her and designate and authorize other person appointed by AirMedia Technology to exercise all of my aforementioned shareholder's rights at the shareholders' meeting of AirMedia Online. In the event of my death, I agree that the rights and obligations under this Power of Attorney will be inherited immediately by the representative appointed by AirMedia Technology.

This Power of Attorney shall remain in force and be irrevocable throughout the duration that I am a shareholder of AirMedia Online, unless obtaining prior consent of AirMedia Online, or the Call Option Agreement signed by AirMedia Technology and AirMedia Online is prematurely terminated for any reason.

Signature: /s/ Guo Man

Name: Guo Man

June 5th, 2015

Power of Attorney

I, Hong Tao, a citizen of the People's Republic of China ("China"), Chinese ID number _____, am a shareholder of AirMedia Online Network Technology Co., Ltd. ("AirMedia Online") and hold 5% of the equity interest in AirMedia Online. I hereby irrevocably authorize the representative appointed by AirMedia Technology (Beijing), Co., Ltd. ("AirMedia Technology"), within the term of validity of this Power of Attorney, to exercise the following rights:

Authorize the representative appointed by AirMedia Technology to exercise all of my rights as a shareholder on behalf of myself in accordance with PRC laws and the Articles of Association of AirMedia Online at the shareholders' meeting of AirMedia Online, including but not limited to, proposing to convene the shareholders' meeting, receiving notice with respect to the convening of shareholders' meeting and its discussion procedure, attending shareholders' meeting of AirMedia Online and exercising all voting rights as a shareholder holding 5% of the equity interest (including voting, nominating and appointing the director, general manager, CFO and other senior management of AirMedia Online, deciding bonus dividend and other matters, as my representative at the shareholders' meeting of AirMedia Online) and deciding sale or transfer of all or part of my equity interest in AirMedia Online.

The conditions precedent for the aforesaid authorization and delegation is that the representative appointed by AirMedia Technology shall be an employee of AirMedia Technology or its affiliated party and AirMedia Technology agrees with the aforesaid authorization and delegation in writing. Once the representative appointed by AirMedia Technology departs from AirMedia Technology or its affiliated party, or AirMedia Technology informs me to terminate the aforesaid authorization and delegation, I will immediately withdraw the delegation and authorization granted herein to him/her and designate and authorize another person appointed by AirMedia Technology to exercise all of my aforementioned shareholder's rights at the shareholders' meeting of AirMedia Online. In the event of my death, I agree that the rights and obligations under this Power of Attorney will be inherited immediately by the representative appointed by AirMedia Technology.

This Power of Attorney shall remain in force and be irrevocable throughout the duration that I am a shareholder of AirMedia Online, unless obtaining prior consent of AirMedia Online, or the Call Option Agreement signed by AirMedia Technology and AirMedia Online is prematurely terminated for any reason.

Signature: /s/ Hong Tao
Name: Hong Tao
June 5th, 2015

Power of Attorney

I, Xu Qing, a citizen of the People's Republic of China ("China"), Chinese ID number _____, am a shareholder of AirMedia Online Network Technology Co., Ltd. ("AirMedia Online") and holds 15% of the equity interest in AirMedia Online. I hereby irrevocably authorize the representative appointed by AirMedia Technology (Beijing), Co., Ltd. ("AirMedia Technology"), within the term of validity of this Power of Attorney, to exercise the following rights:

Authorize the representative appointed by AirMedia Technology to exercise all of my rights as a shareholder on behalf of myself in accordance with PRC laws and the Articles of Association of AirMedia Online at the shareholders' meeting of AirMedia Online, including but not limited to, proposing to convene the shareholders' meeting, receiving notice with respect to the convening of shareholders' meeting and its discussion procedure, attending shareholders' meeting of AirMedia Online and exercising all voting rights as a shareholder holding 15% of the equity interest (including voting, nominating and appointing the director, general manager, CFO and other senior management of AirMedia Online, deciding bonus dividend and other matters, as my representative at the shareholders' meeting of AirMedia Online) and deciding the sale or transfer of all or part of my equity interest in AirMedia Online.

The conditions precedent for the aforesaid authorization and delegation is that the representative appointed by AirMedia Technology shall be an employee of AirMedia Technology or its affiliated party and AirMedia Technology agrees with the aforesaid authorization and delegation in writing. Once the representative appointed by AirMedia Technology departs from AirMedia Technology or its affiliated party, or AirMedia Technology informs me to terminate the aforesaid authorization and delegation, I will immediately withdraw the delegation and authorization granted herein to him/her and designate and authorize another person appointed by AirMedia Technology to exercise all of my aforementioned shareholder's rights at the shareholders' meeting of AirMedia Online. In the event of my death, I agree that the rights and obligations under this Power of Attorney will be inherited immediately by the representative appointed by AirMedia Technology.

This Power of Attorney shall remain in force and be irrevocable throughout the duration that I am a shareholder of AirMedia Online, unless obtaining prior consent of AirMedia Online, or the Call Option Agreement signed by AirMedia Technology and AirMedia Online is prematurely terminated for any reason.

Signature: /s/ Xu Qing
Name: Xu Qing
June 5th, 2015

Equity Pledge Agreement

This Equity Pledge Agreement (hereinafter, the "Agreement") is entered into by and among the following parties on 5th June 2015 in Beijing, People's Republic of China ("China"):

Party A: Guo Man

Residence:

ID Number:

Party B: AirMedia Technology (Beijing) Co., Ltd.

Registered address: Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing.

Legal Representative: Guo Man

Party C: AirMedia Online Network Technology Co., Ltd.

Registered address: Room 401-402, 4/F, No.26 Dongzhimenwai Street, Chaoyang District, Beijing.

Legal Representative: XU Qing

(hereinafter, Party A is referred to as the "Pledgor", Party B is referred to as the "Pledgee", the aforesaid three parties are respectively referred to as a "Party", jointly referred to as the "Parties" in this Agreement.)

Whereas:

- (1) Party C is a limited liability company dully established and existed under the laws of China, with a register capital of fifty million ChineseYuan (RMB50million);
 - (2) Currently, the Pledgor is a shareholder of Party C. the Pledgor legally holds 80% of the total equity interests in Party C
 - (3) In accordance with an exclusive call option agreement entered into by and among the Pledgor, Party B and Party C on 5th June 2015 (hereinafter, the "Call Option Agreement"), the Pledgor shall, to the extent permitted by laws in China, transfer all or part of its equity interests in Party C it holds to the Pledgee and/or its designated person or entity upon the request of Party B;
 - (4) In accordance with an exclusive technology consultation and service agreement entered into by and between Party B and Party C on 5th June 2015 (hereinafter, the "Service Agreement", together with the Call Option Agreement, the "Master Agreements"). Party B, upon the commission of Party C, provides service to Party C. Party C shall pay the service fee upon the relevant requirements.
 - (5) To guarantee the obligations under the Master Agreements are fulfilled by the Pledgor and Party C, the Pledgor agrees to pledge all of the equity interests in Party C it holds to Party B. Party C agrees such pledge arrangement.
-

NOW, THEREFORE, through mutual consensus, the Parties hereby agree as follows:

1. Right of Pledge and the scope of the pledge guarantee

- 1.1 The Pledgor agrees to pledge all of its equity interests in Party C to Party B as the guarantee of the performance of the obligations by the Pledgor and Party C under the Master Agreements and the guarantee to the liquidity damage resulted by the invalidity, cancellation or rescission of the Master Agreements. Party C agrees to such pledge arrangement.
- 1.2 The Right of Pledge refers to the right for the Pledgee to be paid in priority with the remuneration resulted from the conversion, auction or sale of the equity interests pledged by the Pledgor
- 1.3 The effectiveness of the pledge guarantee under this Agreement shall not be impacted by any amendment or modification to the Master Agreements. The pledge guarantee under this Agreement remains effective to the obligations of the Pledgor and Party C under the amended Master Agreement. The invalidity, cancellation or rescission of the Master Agreements shall not impact the effectiveness of this Agreement. If any one of the Master Agreements becomes invalid, cancelled or dismissed by whatsoever reason, the Pledgee is entitled to immediately exercise the Right of Pledge in accordance with Clause 9 of this Agreement.

2. Pledged Equity

- 2.1 The Pledged Equity under this Agreement is the 80% of the total equity interests in Party C held by the Pledgor (hereinafter, the "Pledged Equity") and all of the rights attached to the Pledged Equity. The detailed information of the Pledged Equity is as follows:

Name of the Company: AirMedia Online Network Technology Co., Ltd.

Registered Capital: RMB50million

Pledged Equity: 80% of the total equity interests

3. Establishment of the Right of Pledge

- 3.1 The Right of Pledge under this Agreement shall be recorded on Party C's register of shareholders and its capital contribution certificate in the forms attached herein. All Parties further agree that the register of shareholders that shows such pledge shall be kept by the Pledgee.
 - 3.2 In light that the Right of Pledge should be established after a registration is made at the industry and commerce department where Party C registered, all Parties shall comply with laws and regulations and complete such registration at their best efforts.
-

4. Term of the Pledge

- 4.1 The pledge under this Agreement shall be established on the date that the equity pledge is registered at the industry and commerce department where Party C registered and shall terminate until two (2) years after all liabilities under the Master Agreements have been due (hereinafter, the "Term of Pledge").
- 4.2 Within the Term of Pledge, in the event that the Pledgor and Party C fail to perform any of their obligations under the Master Agreements or resulted by the Master Agreements, the Pledgee is entitled to dispose the Right of Pledge under the Article 9 of this Agreement.

5. Storage and the return of the credentials of the pledge

- 5.1 The Pledgor shall, within three (3) working days after the date that the Pledge is registered on Party C's register of shareholders in accordance with the Article 3 herein, deliver register of shareholders and the capital contribution certificate of Party C to the Pledgee; The Pledgee shall have an obligation of taking care of the delivered credentials of the pledge.
- 5.2 In the case that the pledge herein is released in accordance with this Agreement, the Pledgee shall, within three (3) working days after the pledge herein is released in accordance with this Agreement, return the credentials of the pledge to the Pledgor and provide the Pledgor with necessary assistances during the procedure of the release of the pledge herein.

6. Representations and warranties of the Pledgor

The Pledgor herein represents and warrants to the Pledgor that as of the date this Agreement becomes effective:

- 6.1 The Pledgor is the only legally owner of the Pledged Equity;
- 6.2 The Pledgor has not created any other security interest or third-party interests on the Pledged Equity except for the interest of the Pledgee;
- 6.3 The Equity Pledge under this Agreement has obtained the consent of Party C's shareholders' meeting;
- 6.4 Upon effectiveness of this Agreement, the obligations hereunder shall be legally, effective and legally binding upon the Pledgor;
- 6.5 The pledge of the Pledged Equity undertaken by the Pledgor in accordance with this Agreement does not violate PRC laws, regulations or other relevant governmental rules, nor does it breach any contract, agreement or any commitment the Pledgor has made with any third party;
- 6.6 All files and materials regarding to this Agreement provided by the Pledgor to the Pledgee shall be true, accurate and integral;
-

6.7 The Pledgor shall only perform all rights in the capacity of the shareholder of Party C under the written authorization and the request of the Pledgee.

7. Covenants of the Pledgor

7.1 Within the term of this Agreement, the Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall:

- (1) Complete the registration of the pledge hereunder within forty-five(45) working days after the execution of this Agreement at the industrial and commercial administrative department in accordance with this Agreement;
- (2) Without the prior written consent, not transfer equity interest nor establish or permit the establishment of any other pledge that may impact the rights and interests of the Pledgee.
- (3) Comply and execute all laws, regulations and rules concerning the pledge of rights. After receiving the notice, order or suggestion issued by the competent authorities, the Pledgor shall present such notice, order or suggestion to the Pledgee within five (5) days and shall comply such notice, order or suggestion, or raise objection upon the reasonable request by the Pledgee or the consent of the Pledgee.
- (4) Promptly notice the Pledgee any event or notice received that may cause the Pledgor to compromise the equity interest or any part of the equity, and any commitment, obligation established to modify this Agreement or any event or notice received that may result in any impact therefrom.

7.2 The Pledgor covenants that the rights to be exercised by the Pledgee in accordance with this Agreement shall not be interrupted through legal procedure nor interfered by the Pledgor, the successor of the Pledgor, the trustee of the Pledgor or any other person;

7.3 The Pledgor covenants to the Pledgee that to protect or complete the guarantee of the obligations under the Master Agreements with this Agreement, the Pledgor shall honestly sign and cause the other parties that have stakes on the Right of Pledge undertake all the actions requested by the Pledgee and facilitate the exercise of rights and authorization granted to the Pledgee under this Agreement.

7.4 The Pledgor covenants to the Pledgee that the Pledgor shall sign all amendments of the share certificate (if necessary and applicable) with the Pledgee or its designated person (a person/legal person), and provide the Pledgee with all notices, orders and decisions it believes to be necessary within a reasonable period.

7.5 The Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall comply and fulfill all representations, covenants, agreements, statements and conditions. In the case that the Pledgor cannot comply or fail to fulfill all or part of its representations, covenants, agreements, statements and conditions, the Pledgor shall be liable for all losses suffered by the Pledgee therefrom.

8. Events of default and responsibilities for breach of this Agreement

8.1 All of the following conditions shall be deemed as events of default:

- (1) The Pledgor or Party C fails to perform its obligations under the Master Agreements;
 - (2) Any statement, warrant or covenant made by the Pledgor under Article 6 and Article 7 of this Agreement is material misleading or false. Or the Pledgor breaches any other term of this Agreement;
 - (3) The Pledgor gives up the Pledged Equity or transfers the Pledged Equity without obtaining written notice from the Pledgee or set any other encumbrance on the Pledged Equity;
 - (4) Any loan, guarantee, compensation, commitment or any other debt-repaying obligation of the Pledgor (i) is requested to be repaid or exercise in advance resulted from a default; or (ii) is overdue and leads the Pledgee to believe that the ability of the Pledgor to fulfill the obligation under this Agreement is compromised therefrom;
 - (5) Party C cannot repay the general debts or other debts;
 - (6) Other than those due to force majeure, any event that may result in the illegality of this Agreement or the failure in the Pledgor's performance to this agreement;
 - (7) Any adverse change to the Pledgor that may cause the Pledgee to believe the ability of the Pledgor to fulfill the obligations has been compromised;
 - (8) The successor or the agent of Party C may partially perform or refuse to perform the obligations under the Master Agreements;
 - (9) Any default caused by any action or omission of the Pledgor that may breach this Agreement;
 - (10) This Agreement is deemed to be illegal by any applicable law. Or any applicable law may cause the failure in the performance of the obligations under this Agreement by the Pledgor;
 - (11) Any governmental approval, permission, or authorization that may cause this Agreement enforceable, legal and effective is revoked, invalid or materially modified.
-

8.2 Where the Pledgor is aware of any event described at the Article 8.1 of this Agreement or any event that may cause the above events has happened, the Pledgor shall immediately notify the Pledgee in written form.

8.3 Unless the event of default listed in the Article 8.1 above has been fully resolved in a manner satisfied by the Pledgee, the Pledgee may deliver a notice of default in writing to the Pledgor at the time the event of default by the Pledgor happened or at any time after such event of default happened, requesting immediate performances on the obligations under the Master Agreements by the Pledgor or depositing the Right of Pledge in accordance with the Article 9 of this Agreement.

9 Exercise of Pledge Right

9.1 Before completion of fully performance of obligations under the Master Agreements, the Pledgor shall, without the Pledgee's prior written consent, have no right to transfer the pledged equity.

9.2 In the event of default set forth in Art. 8, the Pledgee's shall deliver default notice to the Pledgor when exercising pledge right. The Pledgee is entitled to dispose the pledge right at any time on and after the delivery of the default notice pursuant to Art. 8.3.

9.3 The Pledgee is entitled to, subject to the legal procedure, sell or dispose in other way the pledged equity. The Pledgor undertakes to transfer all shareholder's rights to the Pledgee once the Pledgee decided to exercise the pledge right. The Pledgee shall also be entitled to convert the property into money as payment of the debt or enjoy priority of having his claim satisfied with the proceeds of auction or sale of the pledged property.

9.4 The Pledgor shall not set obstacles to hinder but rather provide necessary assistance for the exercise of pledge right by the Pledgee.

10 Transfer

10.1 Without the Pledgor's prior written consent, the Pledgee shall have no right to donate or transfer any of its rights and obligations under this Agreement. In the event of the Pledgor's death, the Pledgor agrees that its rights and obligations under this Agreement will be inherited immediately by the person designated by the Pledgee.

10.2 This Agreement shall bind upon the Pledgor and its successors, the Pledgee and its successors and assigns permitted by the Pledgee.

10.3 The Pledgee may, at any time, transfer any or all of its rights and obligations under the Master Agreements to the person designated by it (natural person/legal person). In this case, the transferee shall take over the Pledgee's rights and obligations under this Agreement as if it is a party to this Agreement. When the Pledgee transfers its rights and obligations under the Master Agreements, the Pledgor shall sign the agreements and/or instruments related to the transfer on written notice delivered by the Pledgee to the Pledgor.

10.4 If the above transfer results in the change of the Pledgee, the parties to the new pledge shall sign a new pledge agreement; the new pledge agreement shall be materially consistent with this Agreement.

11 Effectiveness and Termination

11.1 This Agreement shall be effective from the date of execution, the pledge right shall be effective from the date of registration at the Industry and Commerce Department where Party C registered.

11.2 If allowed, all Parties shall endeavor to handle or to impel the above registration at the Industry and Commerce Department where Party C registered, however, the register would not affect the effectiveness and validity of this Agreement.

11.3 This Agreement shall be terminated after two (2) years after the Pledgor and/or Party C no longer bear obligations under or arising from the Master Agreements, and the Pledgee shall, as reasonable early as possible to cancel or dissolve this Agreement.

11.4 The release of the pledge shall be written into the shareholders' name-list of Party C and be registered for cancellation, subject to the law, in the Industry and Commerce Department where Party C registered.

12 Expenses and other Costs

All the taxes and costs generated from the preparation, execution of this Agreement and completion of the transaction of this Agreement for each Party subject to PRC law shall be duly borne respectively by each Party. In spite of above agreement, Party B agrees to bear any tax and cost generated from this Agreement for both Party A and Party B, unless Party A and/or Party B breaches this Agreement.

13 Force Majeure

13.1 Force Majeure hereof refers to events beyond reasonable control and could not be avoided under due care of affected Party, including but not limiting to governmental action, nature power, fire, blast, storm, serious flood, earthquake, tide, lightning or war. The scarcity of credit, capital or loan facility shall not be deemed as the event beyond one Party's reasonable control. The affected Party shall notify the other Party of the occurrence of the Force Majeure events as soon as possible.

13.2 In the event that the Force Majeure suspend or retard the performance of this Agreement, liability under this Agreement shall not be borne by the affected Party within the sphere of suspended or retarded the performance. The affected Party shall reduce or eliminate the effect of the Force Majeure and endeavor to restore the said performance. Once the Force Majeure was eliminated, all Parties agree to restore the performance of this Agreement with best efforts.

14 Confidentiality

The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in respect of this Agreement shall be confidential information. No Party shall disclose such information to any third party without written consent by other Parties, unless the following circumstances:

- a) Such materials are known or will be known to the public, which is not a result of the unauthorized disclosure from the Party that accepts materials;
- b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
- c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and the Party shall bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall survive.

15 Applicable Laws and Dispute Resolution

15.1 The formation, validity, performance, interpretation and resolution of disputes in connection with this Agreement shall be governed by laws of the PRC.

15.2 Any dispute arising from this Agreement shall be settled by the Parties through amicable negotiations.

15.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be in Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights and obligations under this Agreement shall be exercised and fulfilled respectively by each Party.

16 Notice

Any notice or other communication made by the Party herein shall be in written form and delivered to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seven (7) day after such registered airmail has been sent with its postage paid (shown on a postmarks), or on the fourth (4) day after such letter is given to a international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party B: AirMedia Technology (Beijing) Co., Ltd.

Recipient: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party C: AirMedia Online Network Technology Co., Ltd.

Recipient: Xu Qing

Address: F/17, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

17 Miscellaneous

- 17.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.
- 17.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions and/or written agreements reached by the Parties with respect to the subject matter hereof.
- 17.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assignees.
- 17.4 Either Party fails to enforce any right timely under this Agreement shall not be deemed as a waiver of such right and shall not prevent the Party to enforce such right in the future.
- 17.5 If any clause of this Agreement is deemed to be invalid, null or unenforceable by the competent courts, or arbitration institution, such provision shall not affect the validity and enforceability of the remainders of this Agreement. The Parties should cease to perform such invalid, null or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.
-

17.6 The unmentioned matters shall be determined upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form and signed by all Parties before becoming integral part of this Agreement and having same legal effect with this Agreement.

17.7 In case the equity pledge registration authority request to resign or modify this Agreement in respect of the pledge registration, all Parties shall ensure the validity and enforceability of this Agreement.

17.8 This Agreement may be executed in five (5) counterparts with same legal effect, each party hereto shall hold one (1) counterpart, the other counterparts shall be submitted to the equity pledge registration authority for registration.

(No text below)

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date first set forth above.

Guo Man

Signature:/s/ Guo Man

AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd

Annex 1: Shareholder Name list of AirMedia Online Network Technology Co., Ltd.

Date: June 5th, 2015

Shareholder's name	Scale of equity held	Shareholder information	Memo
Guo Man	80%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Guo Man, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Guo Man agrees to pledge 80% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Xu Qing	15%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Xu Qing, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Xu Qing agrees to pledge 15% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Hong Tao	5%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Hong Tao, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Hong Tao agrees to pledge 5% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.

Annex 2: Certificate of Capital Contribution of AirMedia Online Network Technology Co., Ltd.

(No. 001)

Company name: AirMedia Online Network Technology Co., Ltd.

Incorporation date: April 30th, 2015

Capital contribution: RMB 50,000,000.00

Shareholder's name: Guo Man

ID:

This is to certify that Guo Man subscribes capital contribution of RMB 40,000,000.00, holds 80% of the equity interest in AirMedia Online Network Technology Co., Ltd. Subject to the Equity Pledge Agreement entered into on June 5th 2015, Guo Man shall pledge total of his 80% equity interest in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd. and handle the pledge registration at registration department.

AirMedia Online Network Technology Co., Ltd.

Signature: /s/Xu Qing

Name: Xu Qing

Legal Representative

Date: June 5th 2015

Equity Pledge Agreement

This Equity Pledge Agreement (hereinafter, the "Agreement") is entered into by and among the following parties on 5th June 2015 in Beijing, People's Republic of China ("China"):

Party A: Xu Qing

Residence:

ID number:

Party B: AirMedia Technology (Beijing) Co., Ltd.

Registered address: Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing.

Legal Representative: Guo Man

Party C: AirMedia Online Network Technology Co., Ltd.

Registered address: Room 401-402, 4/F, No.26 Dongzhimenwai Street, Chaoyang District, Beijing.

Legal Representative: Xu Qing

(hereinafter, Party A is referred as the "Pledgor", Party B is referred as the "Pledgee", the aforesaid three parties are respectively referred to as a "Party", jointly referred to as the "Parties" in this Agreement.)

Whereas:

- (1) Party C is a limited liability company dully established and existed under the laws of China, with a register capital of fifty million ChineseYuan (RMB50million);
 - (2) Currently, the Pledgor is a shareholder of Party C. the Pledgor legally holds 15% of the total equity interests in Party C
 - (3) In accordance with an exclusive call option agreement entered into by and between the Pledgor, Party B and Party C on 5th June 2015 (hereinafter, the "Call Option Agreement"), the Pledgor shall, to the extent permitted by laws in China, transfer all or part of its equity interests in Party C it holds to the Pledgee and/or its designated person or entity upon the request of Party B;
 - (4) In accordance with an exclusive technology consultation and service agreement entered into by and among Party B and Party C on 5th June 2015 (hereinafter, the "Service Agreement", together with the Call Option Agreement, the "Master Agreements"). Party B, upon the commission of Party C, provides service to Party C. Party C should pay the service fee upon the relevant requirements.
 - (5) To guarantee the obligations under the Master Agreements are fulfilled by the Pledgor and Party C, the Pledgor agrees to pledge all of the equity interests in Party C it holds to Party B. Party C agrees such pledge arrangement.
-

NOW, THEREFORE, through mutual consensus, the Parties hereby agree as follows:

1. Right of Pledge and the scope of the pledge guarantee

- 1.1 The Pledgor agrees to pledge all of its equity interests in Party C to Party B as the guarantee of the performance of the obligations by the Pledgor and Party C under the Master Agreements and the guarantee to the liquidity damage resulted by the invalidity, cancellation or rescission of the Master Agreements. Party C agrees to such pledge arrangement.
- 1.2 The Right of Pledge refers to the right for the Pledgee to be paid in priority with the remuneration resulted from the conversion, auction or sale of the equity interests pledged by the Pledgor
- 1.3 The effectiveness of the pledge guarantee under this Agreement shall not be impacted by any amendment or modification to the Master Agreements. The pledge guarantee under this Agreement remains effective to the obligations of the Pledgor and Party C under the amended Master Agreement. The invalidity, cancellation or rescission of the Master Agreements shall not impact the effectiveness of this Agreement. If any one of the Master Agreements becomes invalid, cancelled or dismissed by whatsoever reason, the Pledgee is entitled to immediately exercise the Right of Pledge in accordance with Clause 9 of this Agreement.

2. Pledged Equity

- 2.1 The Pledged Equity under this Agreement is the 15% of the total equity interests in Party C held by the Pledgor (hereinafter, the "Pledged Equity") and all of the rights attached to the Pledged Equity. The detailed information of the Pledged Equity is as follows:

Name of the Company: AirMedia Online Network Technology Co., Ltd.

Registered Capital: RMB50million

Pledged Equity: 15% of the total equity interests

3. Establishment of the Right of Pledge

- 3.1 The Right of Pledge under this Agreement shall be recorded on Party C's register of shareholders and its capital contribution certificate in the forms attached herein. All Parties further agree that the register of shareholders that shows such pledge shall be kept by the Pledgee.
 - 3.2 In light that the Right of Pledge should be established after a registration is made at the industry and commerce department where Party C registered, all Parties shall comply with laws and regulations and complete such registration at their best efforts.
-

4. Term of the Pledge

- 4.1 The pledge under this Agreement shall be established on the date that the equity pledge is registered at the industry and commerce department where Party C registered and shall terminate after two (2) years until all liabilities under the Master Agreements have been due (hereinafter, the "Term of Pledge").
- 4.2 Within the Term of Pledge, in the event that the Pledgor and Party C fail to perform any of their obligations under the Master Agreements or resulted by the Master Agreements, the Pledgee is entitled to dispose the Right of Pledge under the Article 9 of this Agreement.

5. Storage and the return of the credentials of the pledge

- 5.1 The Pledgor shall, within three (3) working days after the date that the Pledge is registered on Party C's register of shareholders in accordance with the Article 3 herein, deliver register of shareholders and the capital contribution certificate of Party C to the Pledgee; The Pledgee shall have an obligation of taking care of the delivered credentials of the pledge.
- 5.2 In the case that the pledge herein is released in accordance with this Agreement, the Pledgee shall, within three (3) working days after the pledge herein is released in accordance with this Agreement, return the credentials of the pledge to the Pledgor and provide the Pledgor with necessary assistances during the procedure of the release of the pledge herein.

6. Representations and warranties of the Pledgor

The Pledgor herein represents and warrants to the Pledgor that as of the date this Agreement becomes effective:

- 6.1 The Pledgor is the only legally owner of the Pledged Equity;
- 6.2 The Pledgor has not created any other security interest or third-party interests on the Pledged Equity except for the interest of the Pledgee;
- 6.3 The Equity Pledge under this Agreement has obtained the consent of Party C's shareholders' meeting;
- 6.4 Upon effectiveness of this Agreement, the obligations hereunder shall be legally, effective and legally binding upon the Pledgor;
- 6.5 The pledge of the Pledged Equity undertaken by the Pledgor in accordance with this Agreement does not violate PRC laws, regulations or other relevant governmental rules, nor does it breach any contract, agreement or any commitment the Pledgor has made with any third party;
- 6.6 All files and materials regarding to this Agreement provided by the Pledgor to the Pledgee shall be true, accurate and integral;
- 6.7 The Pledgor shall only perform all rights in the capacity of the shareholder of Party C under the written authorization and the request of the Pledgee.
-

7. Covenants of the Pledgor

7.1 Within the term of this Agreement, the Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall:

- (1) Complete the registration of the pledge hereunder within forty-five(45) working days after the execution of this Agreement at the industrial and commercial administrative department in accordance with this Agreement;
- (2) Without the prior written consent, not transfer equity interest nor establish or permit the establishment of any other pledge that may impact the rights and interests of the Pledgee.
- (3) Comply and execute all laws, regulations and rules concerning the pledge of rights. After receiving the notice, order or suggestion issued by the competent authorities, the Pledgor shall present such notice, order or suggestion to the Pledgee within five (5) days and shall comply such notice, order or suggestion, or raise objection upon the reasonable request by the Pledgee or the consent of the Pledgee.
- (4) Promptly notice the Pledgee any event or notice received that may cause the Pledgor to compromise the equity interest or any part of the equity, and any commitment, obligation established to modify this Agreement or any event or notice received that may result any impact therefrom.

7.2 The Pledgor covenants that the rights to be exercised by the Pledgee in accordance with this Agreement shall not be interrupted through legal procedure nor interfered by the Pledgor, the successor of the Pledgor, the trustee of the Pledgor or any other person;

7.3 The Pledgor covenants to the Pledgee that to protect or complete the guarantee of the obligations under the Master Agreements with this Agreement, the Pledgor shall honestly sign and cause the other parties that have stakes on the Right of Pledge undertake all the actions requested by the Pledgee and facilitate the exercise of rights and authorization granted to the Pledgee under this Agreement.

7.4 The Pledgor covenants to the Pledgee that the Pledgor shall sign all amendments of the share certificate (if necessary and applicable) with the Pledgee or its designated person (a person/legal person), and provide the Pledgee with all notices, orders and decisions it believes to be necessary within a reasonable period.

7.5 The Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall comply and fulfill all representations, covenants, agreements, statements and conditions. In the case that the Pledgor cannot comply or fail to fulfill all or part of its representations, covenants, agreements, statements and conditions, the Pledgor shall be liable for all losses suffered by the Pledgee therefrom.

8. Events of default and responsibilities for breach of this Agreement

8.1 All of the following conditions shall be deemed as events of default:

- (1) The Pledgor or Party C fails to perform its obligations under the Master Agreements;
- (2) Any statement, warrant or covenant made by the Pledgor under Article 6 and Article 7 of this Agreement is material misleading or false. Or the Pledgor breaches any other term of this Agreement;
- (3) The Pledgor gives up the Pledged Equity or transfers the Pledged Equity without obtaining written notice from the Pledgee or set any other encumbrance on the Pledged Equity;
- (4) Any loan, guarantee, compensation, commitment or any other debt-repaying obligation of the Pledgor (i) is requested to be repaid or exercise in advance resulted from a default; or (ii) is overdue and leads the Pledgee to believe that the ability of the Pledgor to fulfill the obligation under this Agreement is compromised therefrom;
- (5) Party C cannot repay the general debts or other debts;
- (6) Other than those due to force majeure, any event that may result in the illegality of this Agreement or the failure in Pledgor's performance to this agreement;
- (7) Any adverse change to the Pledgor that may cause the Pledgee to believe the ability of the Pledgor to fulfill the obligations has been compromised;
- (8) The successor or the agent of Party C may partially perform or refuse to perform the obligations under the Master Agreements;
- (9) Any default caused by any action or omission of the Pledgor that may breach this Agreement;
- (10) This Agreement is deemed to be illegal by any applicable law. Or any applicable law may cause the failure in the performance of the obligations under this Agreement by the Pledgor;
- (11) Any governmental approval, permission, or authorization that may cause this Agreement enforceable, legal and effective is revoked, invalid or materially modified.

8.2 Where the Pledgor is aware of any event described at the Article 8.1 of this Agreement or any event that may cause the above events has happened, the Pledgor shall immediately notify the Pledgee in written form.

8.3 Unless the event of default listed in the Article 8.1 above has been fully resolved in a manner satisfied by the Pledgee, the Pledgee may deliver a notice of default in writing to the Pledgor at the time the event of default by the Pledgor happened or at any time after such event of default happened, requesting immediate performances on the obligations under the Master Agreements by the Pledgor or depositing the Right of Pledge in accordance with the Article 9 of this Agreement.

9 Exercise of Pledge Right

9.1 Before completion of fully performance of obligations under the Master Agreements, the Pledgor shall, without the Pledgee's prior written consent, have no right to transfer the pledged equity.

9.2 In the event of default set forth in Art. 8, the Pledgee's shall deliver default notice to the Pledgor when exercising pledge right. The Pledgee is entitled to dispose the pledge right at any time on and after the delivery of the default notice pursuant to Art. 8.3.

9.3 The Pledgee is entitled to, subject to the legal procedure, sell or dispose in other way the pledged equity. The Pledgor undertakes to transfer all shareholder's rights to the Pledgee once the Pledgee decided to exercise the pledge right. The Pledgee shall also be entitled to convert the property into money as payment of the debt or enjoy priority of having his claim satisfied with the proceeds of auction or sale of the pledged property.

9.4 The Pledgor shall not set obstacles to hinder but rather provide necessary assistance for the exercise of pledge right by the Pledgee.

10 Transfer

10.1 Without the Pledgor's prior written consent, the Pledgee shall have no right to donate or transfer any of its rights and obligations under this Agreement. In the event of the Pledgor's death, the Pledgor agrees that its rights and obligations under this Agreement will be inherited immediately by the person designated by the Pledgee.

10.2 This Agreement shall bind upon the Pledgor and its successors, the Pledgee and its successors and assigns permitted by the Pledgee.

10.3 The Pledgee may, at any time, transfer any or all of its rights and obligations under the Master Agreements to the person designated by it (natural person/legal person). In this case, the transferee shall take over the Pledgee's rights and obligations under this Agreement as if it is a party to this Agreement. When the Pledgee transfers its rights and obligations under the Master Agreements, the Pledgor shall sign the agreements and/or instruments related to the transfer on written notice delivered by the Pledgee to the Pledgor.

10.4 If the above transfer results in the change of the Pledgee, the parties to the new pledge shall sign a new pledge agreement; the new pledge agreement shall be materially consistent with this Agreement.

11 Effectiveness and Termination

11.1 This Agreement shall be effective from the date of execution, the pledge right shall be effective from the date of registration at the Industry and Commerce Department where Party C registered.

11.2 If allowed, all Parties shall endeavor to handle or to impel the above registration at the Industry and Commerce Department where Party C registered, however, the register would not affect the effectiveness and validity of this Agreement.

11.3 This Agreement shall be terminated after two (2) years after the Pledgor and/or Party C no longer bear obligations under or arising from the Master Agreements, and the Pledgee shall, as reasonable early as possible to cancel or dissolve this Agreement.

11.4 The release of the pledge shall be written into the shareholders' name-list of Party C and be registered for cancellation, subject to the law, in the Industry and Commerce Department where Party C registered.

12 Expenses and other Costs

All the taxes and costs generated from the preparation, execution of this Agreement and completion of the transaction of this Agreement for each Party subject to PRC law shall be duly borne respectively by each Party. In spite of above agreement, Party B agrees to bear any tax and cost generated from this Agreement for both Party A and Party B, unless Party A and/or Party B breaches this Agreement.

13 Force Majeure

13.1 Force Majeure hereof refers to events beyond reasonable control and could not be avoided under due care of affected Party, including but not limiting to governmental action, nature power, fire, blast, storm, serious flood, earthquake, tide, lightning or war. The scarcity of credit, capital or loan facility shall not be deemed as the event beyond one Party's reasonable control. The affected Party shall notify the other Party of the occurrence of the Force Majeure events as soon as possible.

13.2 In the event that the Force Majeure suspend or retard the performance of this Agreement, liability under this Agreement shall not be borne by the affected Party within the sphere of suspended or retarded the performance. The affected Party shall reduce or eliminate the effect of the Force Majeure and endeavor to restore the said performance. Once the Force Majeure was eliminated, all Parties agree to restore the performance of this Agreement with best efforts.

14 Confidentiality

The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in respect of this Agreement by Parties shall be confidential information. No Party shall disclose such information to any third party without written consent by other Parties, unless the following circumstances:

- a) Such materials are known or will be known to the public, which is not a result of the unauthorized disclosure from the Party that accepts materials;
- b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
- c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and the Party shall bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall survive.

15 Applicable Laws and Dispute Resolution

15.1 The formation, validity, performance, interpretation and resolution of disputes in connection with this Agreement shall be governed by laws of the PRC.

15.2 Any dispute arising from this Agreement shall be settled by the Parties through amicable negotiations.

15.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be in Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights and obligations under this Agreement shall be exercised and fulfilled respectively by each Party.

16 Notice

Any notice or other communication made by the Party herein shall be in written form and deliver to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seven (7) day after such registered airmail has been sent with its postage paid (shown on a postmarks), or on the fourth (4) day after such letter is given to a international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A: Xu Qing

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party B: AirMedia Technology (Beijing) Co., Ltd.

Recipient: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party C: AirMedia Online Network Technology Co., Ltd.

Recipient: Xu Qing

Address: F/17, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

17 Miscellaneous

- 17.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.
- 17.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions and/or written agreements reached by the Parties with respect to the subject matter hereof.
- 17.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assignees.
- 17.4 Either Party fails to enforce any right timely under this Agreement shall not be deemed as a waiver of such right and shall not prevent the Party to enforce such right in the future.
- 17.5 If any clause of this Agreement is deemed to be invalid, null or unenforceable by the competent courts, or arbitration institution, such provision shall not affect the validity and enforceability of the remainders of this Agreement. The Parties should cease to perform such invalid, null or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.
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17.6 The unmentioned matters shall be determined upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form and signed by all Parties before becoming integral part of this Agreement and having same legal effect with this Agreement.

17.7 In case the equity pledge registration authority request to resign or modify this Agreement in respect of the pledge registration, all Parties shall ensure the validity and enforceability of this Agreement.

17.8 This Agreement may be executed in five (5) counterparts with same legal effect, each party hereto shall hold one (1) counterpart, the other counterparts shall be submit to the equity pledge registration authority for registration.

(No text below)

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date first set forth above.

Xu Qing

Signature:/s/ Xu Qing

AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd

Annex 1: Shareholder Name list of AirMedia Online Network Technology Co., Ltd.

Date: June 5th, 2015

Shareholder's name	Scale of equity held	Shareholder information	Memo
Guo Man	80%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Guo Man, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Guo Man agrees to pledge 80% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Xu Qing	15%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Xu Qing, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Xu Qing agrees to pledge 15% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Hong Tao	5%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Hong Tao, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Hong Tao agrees to pledge 5% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.

Annex 2: Certificate of Capital Contribution of AirMedia Online Network Technology Co., Ltd.

(No. 002)

Company name: AirMedia Online Network Technology Co., Ltd.

Incorporation date: April 30th, 2015

Capital contribution: RMB 50,000,000.00

Shareholder's name: Xu Qing

ID:

This is to certify that Xu Qing subscribes capital contribution of RMB 7,500,000.00, holds 15% of the equity interest in AirMedia Online Network Technology Co., Ltd. Subject to the Equity Pledge Agreement entered into on June 5th 2015, Xu Qing shall pledge total of his 15% equity interest in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd. and handle the pledge registration at registration department.

AirMedia Online Network Technology Co., Ltd.

Signature: /s/Xu Qing

Name: Xu Qing

Legal Representative

Date: June 5th 2015

Equity Pledge Agreement

This Equity Pledge Agreement (hereinafter, the "Agreement") is entered into by and among the following parties on 5th June 2015 in Beijing, People's Republic of China ("China"):

Party A: Hong Tao

Residence:

ID Number:

Party B: AirMedia Technology (Beijing) Co., Ltd.

Registered address: Room 3088, Building 1, No. 2 of Hengfu Zhongjie, Science Town, Fengtai District, Beijing.

Legal Representative: Guo Man

Party C: AirMedia Online Network Technology Co., Ltd.

Registered address: Room 401-402, 4/F, No.26 Dongzhimenwai Street, Chaoyang District, Beijing.

Legal Representative: Xu Qing

(hereinafter, Party A is referred to as the "Pledgor", Party B is referred to as the "Pledgee", the aforesaid three parties are respectively referred to as a "Party", jointly referred to as the "Parties" in this Agreement.)

Whereas:

- (1) Party C is a limited liability company dully established and existed under the laws of China, with a register capital of fifty million ChineseYuan (RMB50million);
- (2) Currently, the Pledgor is a shareholder of Party C. the Pledgor legally holds 5% of the total equity interests in Party C
- (3) In accordance with an exclusive call option agreement entered into by and among the Pledgor, Party B and Party C on 5th June 2015 (hereinafter, the "Call Option Agreement"), the Pledgor shall, to the extent permitted by laws in China, transfer all or part of its equity interests in Party C it holds to the Pledgee and/or its designated person or entity upon the request of Party B;
- (4) In accordance with an exclusive technology consultation and service agreement entered into by and among Party B and Party C on 5th June 2015 (hereinafter, the "Service Agreement", together with the Call Option Agreement, the "Master Agreements"). Party B, upon the commission of Party C, provides service to Party C. Party C shall pay the service fee upon the relevant requirements.
- (5) To guarantee the obligations under the Master Agreements are fulfilled by the Pledgor and Party C, the Pledgor agrees to pledge all of the equity interests in Party C it holds to Party B. Party C agrees such pledge arrangement.

NOW, THEREFORE, through mutual consensus, the Parties hereby agree as follows:

1. Right of Pledge and the scope of the pledge guarantee

- 1.1 The Pledgor agrees to pledge all of its equity interests in Party C to Party B as the guarantee of the performance of the obligations by the Pledgor and Party C under the Master Agreements and the guarantee to the liquidity damage resulted by the invalidity, cancellation or rescission of the Master Agreements. Party C agrees to such pledge arrangement.
- 1.2 The Right of Pledge refers to the right for the Pledgee to be paid in priority with the remuneration resulted from the conversion, auction or sale of the equity interests pledged by the Pledgor
- 1.3 The effectiveness of the pledge guarantee under this Agreement shall not be impacted by any amendment or modification to the Master Agreements. The pledge guarantee under this Agreement remains effective to the obligations of the Pledgor and Party C under the amended Master Agreement. The invalidity, cancellation or rescission of the Master Agreements shall not impact the effectiveness of this Agreement. If any one of the Master Agreements becomes invalid, cancelled or dismissed by whatsoever reason, the Pledgee is entitled to immediately exercise the Right of Pledge in accordance with Clause 9 of this Agreement.

2. Pledged Equity

- 2.1 The Pledged Equity under this Agreement is the 15% of the total equity interests in Party C held by the Pledgor (hereinafter, the "Pledged Equity") and all of the rights attached to the Pledged Equity. The detailed information of the Pledged Equity is as follows:

Name of the Company: AirMedia Online Network Technology Co., Ltd.

Registered Capital: RMB50million

Pledged Equity: 5% of the total equity interests

3. Establishment of the Right of Pledge

- 3.1 The Right of Pledge under this Agreement shall be recorded on Party C's register of shareholders and its capital contribution certificate in the forms attached herein. All Parties further agree that the register of shareholders that shows such pledge shall be kept by the Pledgee.
 - 3.2 In light that the Right of Pledge should be established after a registration is made at the industry and commerce department where Party C registered, all Parties shall comply with laws and regulations and complete such registration at their best efforts.
-

4. Term of the Pledge

- 4.1 The pledge under this Agreement shall be established on the date that the equity pledge is registered at the industry and commerce department where Party C registered and shall terminate until two (2) years after all liabilities under the Master Agreements have been due (hereinafter, the "Term of Pledge").
- 4.2 Within the Term of Pledge, in the event that the Pledgor and Party C fail to perform any of their obligations under the Master Agreements or resulted by the Master Agreements, the Pledgee is entitled to dispose the Right of Pledge under the Article 9 of this Agreement.

5. Storage and the return of the credentials of the pledge

- 5.1 The Pledgor shall, within three (3) working days after the date that the Pledge is registered on Party C's register of shareholders in accordance with the Article 3 herein, deliver register of shareholders and the capital contribution certificate of Party C to the Pledgee; The Pledgee shall have an obligation of taking care of the delivered credentials of the pledge.
- 5.2 In the case that the pledge herein is released in accordance with this Agreement, the Pledgee shall, within three (3) working days after the pledge herein is released in accordance with this Agreement, return the credentials of the pledge to the Pledgor and provide the Pledgor with necessary assistances during the procedure of the release of the pledge herein.

6. Representations and warranties of the Pledgor

The Pledgor herein represents and warrants to the Pledgor that as of the date this Agreement becomes effective:

- 6.1 The Pledgor is the only legally owner of the Pledged Equity;
- 6.2 The Pledgor has not created any other security interest or third-party interests on the Pledged Equity except for the interest of the Pledgee;
- 6.3 The Equity Pledge under this Agreement has obtained the consent of Party C's shareholders' meeting;
- 6.4 Upon effectiveness of this Agreement, the obligations hereunder shall be legally, effective and legally binding upon the Pledgor;
- 6.5 The pledge of the Pledged Equity undertaken by the Pledgor in accordance with this Agreement does not violate PRC laws, regulations or other relevant governmental rules, nor does it breach any contract, agreement or any commitment the Pledgor has made with any third party;
- 6.6 All files and materials regarding to this Agreement provided by the Pledgor to the Pledgee shall be true, accurate and integral;
- 6.7 The Pledgor shall only perform all rights in the capacity of the shareholder of Party C under the written authorization and the request of the Pledgee.
-

7. Covenants of the Pledgor

7.1 Within the term of this Agreement, the Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall:

- (1) Complete the registration of the pledge hereunder within forty-five(45) working days after the execution of this Agreement at the industrial and commercial administrative department in accordance with this Agreement;
- (2) Without the prior written consent, not transfer equity interest nor establish or permit the establishment of any other pledge that may impact the rights and interests of the Pledgee.
- (3) Comply and execute all laws, regulations and rules concerning the pledge of rights. After receiving the notice, order or suggestion issued by the competent authorities, the Pledgor shall present such notice, order or suggestion to the Pledgee within five (5) days and shall comply such notice, order or suggestion, or raise objection upon the reasonable request by the Pledgee or the consent of the Pledgee.
- (4) Promptly notice the Pledgee any event or notice received that may cause the Pledgor to compromise the equity interest or any part of the equity, and any commitment, obligation established to modify this Agreement or any event or notice received that may result any impact therefrom.

7.2 The Pledgor covenants that the rights to be exercised by the Pledgee in accordance with this Agreement shall not be interrupted through legal procedure nor interfered by the Pledgor, the successor of the Pledgor, the trustee of the Pledgor or any other person;

7.3 The Pledgor covenants to the Pledgee that to protect or complete the guarantee of the obligations under the Master Agreements with this Agreement, the Pledgor shall honestly sign and cause the other parties that have stakes on the Right of Pledge undertake all the actions requested by the Pledgee and facilitate the exercise of rights and authorization granted to the Pledgee under this Agreement.

7.4 The Pledgor covenants to the Pledgee that the Pledgor shall sign all amendments of the share certificate (if necessary and applicable) with the Pledgee or its designated person (a person/legal person), and provide the Pledgee with all notices, orders and decisions it believes to be necessary within a reasonable period.

7.5 The Pledgor, for the interests of the Pledgee, covenants to the Pledgee that the Pledgor shall comply and fulfill all representations, covenants, agreements, statements and conditions. In the case that the Pledgor cannot comply or fail to fulfill all or part of its representations, covenants, agreements, statements and conditions, the Pledgor shall be liable for all losses suffered by the Pledgee therefrom.

8. Events of default and responsibilities for breach of this Agreement

8.1 All of the following conditions shall be deemed as events of default:

- (1) The Pledgor or Party C fails to perform its obligations under the Master Agreements;
- (2) Any statement, warrant or covenant made by the Pledgor under Article 6 and Article 7 of this Agreement is material misleading or false. Or the Pledgor breaches any other term of this Agreement;
- (3) The Pledgor gives up the Pledged Equity or transfers the Pledged Equity without obtaining written notice from the Pledgee or set any other encumbrance on the Pledged Equity;
- (4) Any loan, guarantee, compensation, commitment or any other debt-repaying obligation of the Pledgor (i) is requested to be repaid or exercise in advance resulted from a default; or (ii) is overdue and leads the Pledgee to believe that the ability of the Pledgor to fulfill the obligation under this Agreement is compromised therefrom;
- (5) Party C cannot repay the general debts or other debts;
- (6) Other than those due to force majeure, any event that may result in the illegality of this Agreement or the failure in the Pledgor's performance to this agreement;
- (7) Any adverse change to the Pledgor that may cause the Pledgee to believe the ability of the Pledgor to fulfill the obligations has been compromised;
- (8) The successor or the agent of Party C may partially perform or refuse to perform the obligations under the Master Agreements;
- (9) Any default caused by any action or omission of the Pledgor that may breach this Agreement;
- (10) This Agreement is deemed to be illegal by any applicable law. Or any applicable law may cause the failure in the performance of the obligations under this Agreement by the Pledgor;
- (11) Any governmental approval, permission, or authorization that may cause this Agreement enforceable, legal and effective is revoked, invalid or materially modified.

8.2 Where the Pledgor is aware of any event described at the Article 8.1 of this Agreement or any event that may cause the above events has happened, the Pledgor shall immediately notify the Pledgee in written form.

8.3 Unless the event of default listed in the Article 8.1 above has been fully resolved in a manner satisfied by the Pledgee, the Pledgee may deliver a notice of default in writing to the Pledgor at the time the event of default by the Pledgor happened or at any time after such event of default happened, requesting immediate performances on the obligations under the Master Agreements by the Pledgor or depositing the Right of Pledge in accordance with the Article 9 of this Agreement.

9 Exercise of Pledge Right

9.1 Before completion of fully performance of obligations under the Master Agreements, the Pledgor shall, without the Pledgee's prior written consent, have no right to transfer the pledged equity.

9.2 In the event of default set forth in Art. 8, the Pledgee's shall deliver default notice to the Pledgor when exercising pledge right. The Pledgee is entitled to dispose the pledge right at any time on and after the delivery of the default notice pursuant to Art. 8.3.

9.3 The Pledgee is entitled to, subject to the legal procedure, sell or dispose in other way the pledged equity. The Pledgor undertakes to transfer all shareholder's rights to the Pledgee once the Pledgee decided to exercise the pledge right. The Pledgee shall also be entitled to convert the property into money as payment of the debt or enjoy priority of having his claim satisfied with the proceeds of auction or sale of the pledged property.

9.4 The Pledgor shall not set obstacles to hinder but rather provide necessary assistance for the exercise of pledge right by the Pledgee.

10 Transfer

10.1 Without the Pledgor's prior written consent, the Pledgee shall have no right to donate or transfer any of its rights and obligations under this Agreement. In the event of the Pledgor's death, the Pledgor agrees that its rights and obligations under this Agreement will be inherited immediately by the person designated by the Pledgee.

10.2 This Agreement shall bind upon the Pledgor and its successors, the Pledgee and its successors and assigns permitted by the Pledgee.

10.3 The Pledgee may, at any time, transfer any or all of its rights and obligations under the Master Agreements to the person designated by it (natural person/legal person). In this case, the transferee shall take over the Pledgee's rights and obligations under this Agreement as if it is a party to this Agreement. When the Pledgee transfers its rights and obligations under the Master Agreements, the Pledgor shall sign the agreements and/or instruments related to the transfer on written notice delivered by the Pledgee to the Pledgor.

10.4 If the above transfer results in the change of the Pledgee, the parties to the new pledge shall sign a new pledge agreement; the new pledge agreement shall be materially consistent with this Agreement.

11 Effectiveness and Termination

11.1 This Agreement shall be effective from the date of execution, the pledge right shall be effective from the date of registration at the Industry and Commerce Department where Party C registered.

11.2 If allowed, all Parties shall endeavor to handle or to impel the above registration at the Industry and Commerce Department where Party C registered, however, the register would not affect the effectiveness and validity of this Agreement.

11.3 This Agreement shall be terminated after two (2) years after the Pledgor and/or Party C no longer bear obligations under or arising from the Master Agreements, and the Pledgee shall, as reasonable early as possible to cancel or dissolve this Agreement.

11.4 The release of the pledge shall be written into the shareholders' name-list of Party C and be registered for cancellation, subject to the law, in the Industry and Commerce Department where Party C registered.

12 Expenses and other Costs

All the taxes and costs generated from the preparation, execution of this Agreement and completion of the transaction of this Agreement for each Party subject to PRC law shall be duly borne respectively by each Party. In spite of above agreement, Party B agrees to bear any tax and cost generated from this Agreement for both Party A and Party B, unless Party A and/or Party B breaches this Agreement.

13 Force Majeure

13.1 Force Majeure hereof refers to events beyond reasonable control and could not be avoided under due care of affected Party, including but not limiting to governmental action, nature power, fire, blast, storm, serious flood, earthquake, tide, lightning or war. The scarcity of credit, capital or loan facility shall not be deemed as the event beyond one Party's reasonable control. The affected Party shall notify the other Party of the occurrence of the Force Majeure events as soon as possible.

13.2 In the event that the Force Majeure suspend or retard the performance of this Agreement, liability under this Agreement shall not be borne by the affected Party within the sphere of suspended or retarded the performance. The affected Party shall reduce or eliminate the effect of the Force Majeure and endeavor to restore the said performance. Once the Force Majeure was eliminated, all Parties agree to restore the performance of this Agreement with best efforts.

14 Confidentiality

The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in respect of this Agreement shall be confidential information. No Party shall disclose such information to any third party without written consent by other Parties, unless the following circumstances:

- a) Such materials are known or will be known to the public, which is not a result of the unauthorized disclosure from the Party that accepts materials;
- b) Such materials are required to be disclosed by the applicable laws or the rules and regulations of security exchanges; or
- c) Where a Party discloses such materials in connection with the transaction contemplated herein to a legal or financial advisor, such legal or financial advisor shall also follow the duty of confidentiality similar to this clause. Breach of confidence by the employee or the hired agency of any Party shall be deemed as breach of confidence by such Party and the Party shall bear the liability under this Agreement. In the event that this agreement is by any means invalid, discharged terminated or impractical, this confidentiality clause shall survive.

15 Applicable Laws and Dispute Resolution

15.1 The formation, validity, performance, interpretation and resolution of disputes in connection with this Agreement shall be governed by laws of the PRC.

15.2 Any dispute arising from this Agreement shall be settled by the Parties through amicable negotiations.

15.3 In case no settlement can be reached within thirty (30) days after one Party makes a request for settlement, either Party may submit such dispute to Beijing Arbitration Commission for arbitration in accordance with its rules. The seat of arbitration should be in Beijing. The arbitration award shall be final and binding upon the Parties. Apart from the matters in controversy, the other rights and obligations under this Agreement shall be exercised and fulfilled respectively by each Party.

16 Notice

Any notice or other communication made by the Party herein shall be in written form and delivered to the other Party via personal delivery, letter or facsimile at the following address or other address designated by such Party from time to time. The actual delivery date shall be deemed by the following methods: (a) the notices delivered via personal delivery shall be deemed actual given on the date of personal delivery; (b) the notices delivered via letters shall be deemed actual given on the seven (7) day after such registered airmail has been sent with its postage paid (shown on a postmarks), or on the fourth (4) day after such letter is given to a international recognized express agent; and (c) the notices delivered via facsimile shall be deemed actual given on the date shown on the transmission confirmation of such files.

Address for Party A: Hong Tao

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party B: AirMedia Technology (Beijing) Co., Ltd.

Recipient: Guo Man

Address: F/15, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

Address for Party C: AirMedia Online Network Technology Co., Ltd.

Recipient: Xu Qing

Address: F/17, Sky Plaza, No.46 Dongzhimenwai Street, Dongcheng District, Beijing, China.

Telephone Number:

Fax Number:

17 Miscellaneous

- 17.1 The headings of this Agreement are for convenience of reference only and shall not interpret, explain or in any means affect the meaning of the clauses herein.
- 17.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral discussions and/or written agreements reached by the Parties with respect to the subject matter hereof.
- 17.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assignees.
- 17.4 Either Party fails to enforce any right timely under this Agreement shall not be deemed as a waiver of such right and shall not prevent the Party to enforce such right in the future.
- 17.5 If any clause of this Agreement is deemed to be invalid, null or unenforceable by the competent courts, or arbitration institution, such provision shall not affect the validity and enforceability of the remainders of this Agreement. The Parties should cease to perform such invalid, null or unenforceable clause and revise such clause to the extent that such fact and circumstance may be enforceable in a way closest to the original intention.
-

17.6 The unmentioned matters shall be determined upon further negotiations by the Parties. Any amendment or supplement to this Agreement shall be in written form and signed by all Parties before becoming integral part of this Agreement and having same legal effect with this Agreement.

17.7 In case the equity pledge registration authority request to resign or modify this Agreement in respect of the pledge registration, all Parties shall ensure the validity and enforceability of this Agreement.

17.8 This Agreement may be executed in five (5) counterparts with same legal effect, each party hereto shall hold one (1) counterpart, the other counterparts shall be submitted to the equity pledge registration authority for registration.

(No text below)

[Signature Page]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by itself or its legal representative or authorized representative on the date first set forth above.

Hong Tao

Signature:/s/ Hong Tao

AirMedia Technology (Beijing) Co., Ltd.

Signature:/s/ Guo Man

Name: Guo Man

Title: Legal Representative

Common seal: AirMedia Technology (Beijing) Co., Ltd.

AirMedia Online Network Technology Co., Ltd.

Signature:/s/ Xu Qing

Name: Xu Qing

Title: Legal Representative

Common seal: AirMedia Online Network Technology Co., Ltd

Annex 1: Shareholder Name list of AirMedia Online Network Technology Co., Ltd.

Date: June 5th, 2015

Shareholder's name	Scale of equity held	Shareholder information	Memo
Guo Man	80%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Guo Man, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Guo Man agrees to pledge 80% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Xu Qing	15%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Xu Qing, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Xu Qing agrees to pledge 15% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.
Hong Tao	5%	Nationality: China Address: ID:	Subject to the Equity Pledge Agreement entered into by and among Hong Tao, AirMedia Technology (Beijing) Co., Ltd. and AirMedia Online Network Technology Co., Ltd. on June 5 th 2015, Hong Tao agrees to pledge 5% equity of he holds in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd.

Annex 2: Certificate of Capital Contribution of AirMedia Online Network Technology Co., Ltd.

(No. 003)

Company name: AirMedia Online Network Technology Co., Ltd.

Incorporation date: April 30th, 2015

Capital contribution: RMB 50,000,000.00

Shareholder's name: Hong Tao

ID:

This is to certify that Xu Qing subscribes capital contribution of RMB 2,500,000.00, holds 5% of the equity interest in AirMedia Online Network Technology Co., Ltd. Subject to the Equity Pledge Agreement entered into on June 5th 2015, Hong Tao shall pledge total of his 5% equity interest in AirMedia Online Network Technology Co., Ltd. to AirMedia Technology (Beijing) Co., Ltd. and handle the pledge registration at registration department.

AirMedia Online Network Technology Co., Ltd.

Signature: /s/Xu Qing

Name: Xu Qing

Legal Representative

Date: June 5th 2015

Supplement Agreement**In respect of the related agreement arrangement of Beijing AirMedia Shengshi Advertising Co., Ltd.**

This Agreement is entered by the following parties on January 21, 2016 in Beijing.

Party A: AirMedia Technology (Beijing), Co., Ltd.

Party B: Guo Man
Xu Qing

Party C: Beijing AirMedia Shengshi Advertising Co., Ltd. (formally known as "Beijing Shengshi Lianhe Advertising Co., Ltd.")

Whereas:

- (1) Party A, Party B, Party C has respectively entered into the Amended and Restated Equity Pledge Agreement on June 14th, 2007; and has respectively entered into the Supplement Agreement of Equity Pledge Agreement in 2008 (collectively, the "Original Equity Pledge Agreement");
- (2) Party A, Party B and Party C have entered into the Amended and Restated Call Option Agreement on June 14th, 2007; and has respectively entered into the Supplement Agreement of Call Option Agreement in 2008 (collectively, the "Original Call Option Agreement");
- (3) The equity holding structure of Party C changed in 2015 and 2016, and the shareholding percentage of Party B in Party C after the change is as follows: 77.1% equity is held by Guo Man, 19.4% equity is held by Xu Qing.

NOW, THEREFORE, all Parties, through friendly negotiations, hereby agree as follows:

1. All parties agree that, for so long as party B continues to hold equity interest in party C, the relevant provisions in the Original Equity Pledge Agreement and the Original Call Option Agreement applicable to the parties hereto shall be deemed to be continuously effective, provided that the equity interest pledged and granted with exclusive call option by party B to party A under the Original Equity Pledge Agreement and the Original Call Option Agreement shall be varied respectively to provide: Guo Man holds 77.1% equity in party C, Xu Qing holds 19.4% equity in party C.

- Party B and party C shall, upon request by party A, enter into new equity pledge agreement and call option agreement with party A in order to reflect the actual shareholding percentage of party B, and Party B and party C shall cooperate with party A to handle the industry and commence procedures required for the registration of the equity pledge.

(No text below)

Party A: AirMedia Technology (Beijing), Co., Ltd.
/s/ AirMedia Technology (Beijing), Co., Ltd.

Party B:

Guo Man /s/ Guo Man

Xu Qing /s/ Xu Qing

Party C: Beijing AirMedia Shengshi Advertising Co., Ltd.

/s/ Beijing AirMedia Shengshi Advertising Co., Ltd.

Supplement Agreement**In respect of the related agreement arrangement of Beijing AirMedia Jiaming Advertising Co., Ltd.**

This Agreement is entered by the following parties on January 20, 2016 in Beijing.

Party A: AirMedia Technology (Beijing), Co., Ltd.

Party B: Guo Man
Xu Qing

Party C: Beijing AirMedia Jiaming Advertising Co., Ltd. (formally known as “Beijing AirMedia UC Advertising Co., Ltd.”)

Whereas:

(1) Party A, Party B, Party C has respectively entered into the <Amended and Restated Equity Pledge Agreement> on June 14th, 2007; and has respectively entered into the <Supplement Agreement of Equity Pledge Agreement> and < Supplement Agreement of Equity Pledge Agreement-2> in November 2008 and 2010 (collectively, the “Original Equity Pledge Agreement”);

(2) Party A, Party B, Party C have entered into the Amended and Restated Call Option Agreement on June 14th, 2007; and has respectively entered into the Supplement Agreement of Call Option Agreement and Supplement Agreement of Call Option Agreement-2 in 2008 and 2010 (collectively, the “Original Call Option Agreement”);

(3) The equity holding structure of Party C changed in 2015 and 2016, and the shareholding percentage of Party B in Party C after the change is as follows: 1% equity is held by Guo Man, 0.2% equity is held by Xu Qing.

NOW, THEREFORE, all Parties, through friendly negotiations, hereby agree as follows:

1. All parties agree that, for so long as party B continues to hold equity interest in party C, the relevant provisions in the Original Equity Pledge Agreement and the Original Call Option Agreement applicable to the parties hereto shall be deemed to be continuously effective, provided that the equity interest pledged and granted with exclusive call option by party B to party A under the Original Equity Pledge Agreement and the Original Call Option Agreement shall be varied respectively to provide: Guo Man holds 1% equity in party C, Xu Qing holds 0.2% equity in party C.

- Party B and party C shall, upon request by party A, enter into new equity pledge agreement and call option agreement with party A in order to reflect the actual shareholding percentage of party B, and Party B and party C shall cooperate with party A to handle the industry and commence procedures required for the registration of the equity pledge.

(No text below)

Party A: AirMedia Technology (Beijing), Co., Ltd.

/s/ AirMedia Technology (Beijing), Co., Ltd.

Party B:

Guo Man /s/ Guo Man

Xu Qing /s/ Xu Qing

Party C: Beijing AirMedia Jiaming Advertising Co., Ltd

/s/ Beijing AirMedia Jiaming Advertising Co., Ltd.

Supplement Agreement

In respect of the related agreement arrangement of AirMedia Online Network Technology Co., Ltd.

This Agreement is entered by the following parties on March 15, 2016 in Beijing.

Party A: AirMedia Technology (Beijing), Co., Ltd.

Party B: Guo Man
Xu Qing
Hong Tao

Party C: AirMedia Online Network Technology Co., Ltd.

Whereas:

- (1) Party A, Party B, Party C has respectively entered into the Equity Pledge Agreement (the "Original Equity Pledge Agreement") on June 5th, 2015;
- (2) Party A, Party B and Party C have entered into the Exclusive Call Option Agreement (the "Original Call Option Agreement") on June 5th, 2015;
- (3) Party A, Party B has respectively entered into the Loan Agreement (the "Original Loan Agreement") in 2015;
- (4) The equity holding structure of Party C changed in 2016, and the shareholding percentage of Party B in Party C after the change is as follows: 77.2% equity is held by Guo Man, 14.5% equity is held by Xu Qing, 4.8% equity is held by Hong Tao.

NOW, THEREFORE, all Parties, through friendly negotiations, hereby agree as follows:

1. All parties agree that, for so long as party B continues to hold equity interest in party C, the relevant provisions in the Original Equity Pledge Agreement, the Original Call Option Agreement and the Original Loan Agreement applicable to the parties hereto shall be deemed to be continuously effective, provided that the equity which are pledged and granted with exclusive call option by party B to party A under the Original Equity Pledge Agreement, the Original Call Option Agreement and the Original Loan Agreement shall be varied respectively to provide: Guo Man holds 77.2% equity in party C, Xu Qing holds 14.5% equity in party C, Hong Tao holds 4.8% equity in party C.

- Party B and party C shall, upon request by party A, enter into new equity pledge agreement and call option agreement with party A in order to reflect the actual shareholding percentage of party B, and Party B and party C shall cooperate with party A to handle the industry and commence procedures required for the registration of the equity pledge.

(No text below)

Party A: AirMedia Technology (Beijing), Co., Ltd.

/s/ AirMedia Technology (Beijing), Co., Ltd

Party B:

Guo Man /s/ Guo Man

Xu Qing /s/ Xu Qing

Hong Tao /s/ Hong Tao

Party C: AirMedia Online Network Technology Co., Ltd.

/s/ AirMedia Online Network Technology Co., Ltd.

List of the Registrant's Significant Subsidiaries

Wholly-Owned Subsidiaries

	<u>Place of Incorporation</u>
1. Broad Cosmos Enterprises Ltd.	British Virgin Islands
2. AirMedia International Limited	British Virgin Islands
3. AirMedia (China) Limited	Hong Kong
4. AirMedia Technology (Beijing) Co., Ltd.	PRC
5. Shenzhen AirMedia Information Technology Co., Ltd.	PRC
6. Xi'an AirMedia Chuangyi Technology Co., Ltd.	PRC

Affiliated Entities Consolidated in the Registrant's Financial Statements

	<u>Place of Incorporation</u>
7. Beijing AirMedia Shengshi Advertising Co., Ltd. (formerly known as Beijing Shengshi Lianhe Advertising Co., Ltd.)	PRC
8. Beijing AirMedia Jiaming Advertising Co., Ltd. (formerly known as Beijing AirMedia UC Advertising Co., Ltd.)	PRC
9. Beijing Yuehang Digital Media Advertising Co., Ltd.	PRC
10. AirMedia Online Network Technology Co., Ltd.	PRC
11. Beijing AirMedia Film & TV Culture Co., Ltd.	PRC
12. Flying Dragon Media Advertising Co., Ltd.	PRC
13. Wenzhou AirMedia Advertising Co., Ltd.	PRC
14. Hainan Jinhui Guangming Media Advertising Co., Ltd.	PRC
15. Beijing Dongding Gongyi Advertising Co., Ltd.	PRC
16. Beijing GreatView Media Advertising Co., Ltd. (formerly known as Beijing Weimei Shengjing Advertising Co., Ltd.)	PRC
17. Guangzhou Meizheng Advertising Co., Ltd.	PRC
18. Beijing AirMedia Tianyi Information Technology Co., Ltd.	PRC
19. AirMedia Mobile Network Technology Co., Ltd.	PRC
20. Guangzhou Meizheng Information Technology Co., Ltd.	PRC
21. AirMedia Henglong Mobile Network Technology Co., Ltd.	PRC
22. Beijing AirMedia Jiaming Film & TV Culture Co., Ltd.	PRC
23. Guangzhou Xinyu Advertising Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Herman Man Guo, certify that:

1. I have reviewed this annual report on Form 20-F of AirMedia Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 16, 2016

By: /s/ Herman Man Guo
Name: Herman Man Guo
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Peidong Wu, certify that:

1. I have reviewed this annual report on Form 20-F of AirMedia Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 16, 2016

By: /s/ Richard Peidong Wu

Name: Richard Peidong Wu

Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of AirMedia Group Inc. (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Herman Man Guo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016

By: /s/ Herman Man Guo
Name: Herman Man Guo
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of AirMedia Group Inc. (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Peidong Wu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

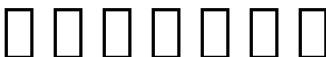
Date: May 16, 2016

By: /s/ Richard Peidong Wu
Name: Richard Peidong Wu
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements No. 333-148352, 333-164219, 333-183448 and 333-187442 on Form S-8 and No. 333-161067 on Form F-3 of our reports dated May 16, 2016, relating to the consolidated financial statements and financial statement schedule of AirMedia Group Inc., its subsidiaries, its variable interest entities (the "VIEs") and its VIEs' subsidiaries (collectively, the "Group") as of December 31, 2014 and 2015, and for the years ended December 31, 2013, 2014 and 2015, and the effectiveness of the Group's internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Group's internal control over financial reporting because of a material weakness), appearing in this Annual Report on Form 20-F of AirMedia Group Inc. for the year ended December 31, 2015.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 16, 2016



Commerce & Finance Law Offices

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Website: www.tongshang.com

May 16 , 2016

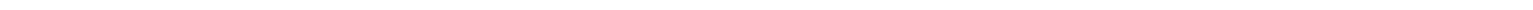
AirMedia Group Inc.
17/F, Sky Plaza, No. 46 DongZhimenwai Street
Dongcheng District
Beijing, 100027
People’s Republic of China

Dear Sirs,

We hereby consent to the reference to our firm under the headings “Item 3. Key Information—D. Risk Factors” and “Item 4. Information on the Company—B. Business Overview,” insofar as they purport to describe the provisions of PRC laws and regulations, in AirMedia Group Inc.’s Annual Report on Form 20-F for the year ended December 31, 2015 (the “Annual Report”) filed with the Securities and Exchange Commission (the “SEC”), and further consent to the incorporation by reference into the Registration Statements No. 333-148352, 333-164219, 333-183448 and 333-187442 on Form S-8 of AirMedia Group Inc. of the summary of our opinions under the headings of “Item 3. Key Information—D. Risk Factors” and “Item 4. Information on the Company—B. Business Overview.” We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

Sincerely Yours,
/s/ Commerce & Finance Law Offices

Commerce & Finance Law Offices



Our ref SSY/629535-000001/9562925v2

AirMedia Group Inc.
17/F, Sky Plaza
No. 46 Dongzhimenwai Street
Dongcheng District
Beijing, 100027
People's Republic of China

16 May 2016

Dear Sirs

AirMedia Group Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to AirMedia Group Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2015 (the "**Annual Report**").

We hereby consent to the reference of our name under the heading "Item 16G Corporate Governance" in the Annual Report, and further consent to the incorporation by reference into the Registration Statements No. 333-148352, 333-164219, 333-183448 and 333-187442 on Form S-8 of the Company of the summary of our opinion under the heading of "Item 16G Corporate Governance" in the Annual Report. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

Yours faithfully

/s/ Maples and Calder
Maples and Calder
