

Asian Television Network International Limited
Management's Discussion and Analysis
For the years-ended December 31, 2018 and December 31, 2017



The purpose of this Management's Discussion and Analysis ("MD&A"), dated April 30, 2019, is to provide readers with additional and complementary information regarding Asian Television Network International Limited ("ATN" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Copies of these documents as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive office, 330 Cochrane Drive, Markham, Ontario L3R 8E4, telephone: 905-948-8199. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.asiantelevision.com.

All amounts herein are expressed in Canadian dollars.

All of our operations are in Canada.

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FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition, and more particularly as they relate to management's belief in respect of the sufficiency of cash from operations to cover cash requirements as they arise.

When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on management's current expectations. These forward looking statements relating to the Company's future cash requirements are based on an assumption that cash flow from the future operations in future periods will not be significantly less than for prior periods. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the forward looking information due to assumptions, estimates or expectations reflected or contained in the forward-looking information. Actual future performance, including cash flow from operations, will be affected by a number of factors, which may result in a decrease in cash flow from operations. These factors include technology changes, economic conditions, regulatory and taxation changes, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see "Risks and Uncertainties Affecting our Business"). Therefore, future events and results may vary substantially from what we currently foresee. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PROFILE

We are a Canadian media company focused on Canada's fast expanding South Asian population with all of our operations in Canada. ATN pioneered South Asian programming on television in Canada through its first venture on Rogers Cable Systems in 1971. Today ATN serves Canada's diverse cultural communities with over 50 premium pay specialty television channels, in 9 languages, ATN offers its flagship general interest service "ATN - HD", several Bollywood movie channels with over 800 movies a month, and a variety of channels that include sports, news, music, lifestyle, spiritual and several regional language channels. ATN is Canada's pioneer of World Class Cricket. ATN's television channels are distributed to subscribers by various Canadian Broadcast Distribution Undertakings (BDUs), including cable, satellite and telephone companies. ATN operates a South Asian Radio Service on Satellite Radio across Canada and the United States. We are publicly traded on the TSX Venture Exchange (TSXV: SAT).

ATN derives its revenue principally from subscription revenue and advertising revenue on its speciality pay television channels. Subscription revenue consists of a portion of monthly fees paid by viewers to their Broadcast Distribution Undertakings (BDUs) while advertising revenue consists of revenue earned from the sale of on-air advertisement by ATN. The Company develops some of its programming in-house and also acquires the rights to programs from local and international television and film producers. All of ATN's television channels are speciality pay channels which are available on BDUs (including Canada's cable television networks and satellite and fibre optic television networks) for a monthly fee. The fee payable for a subscription to ATN's channels is in addition to the fee paid by subscribers to the BDUs for "basic" packages. Not all channels are carried by all BDUs. The Company's radio service is available on Canada's satellite radio service for a subscription fee, a portion of which is remitted to the Company by the radio service. Advertisers on ATN's channels consist of national, regional and local businesses who commit to advertising over varying periods of time, principally short term. The Company also earns revenue from the licensing of programming to other broadcasters and from the production of advertising for advertisers. The Company's programming is targeted to Canada's South Asian population which is concentrated in Canada's major urban centres. The Company's operations are based in Markham, Ontario in suburban Toronto.

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FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR

- Consolidated revenue continues to decline having a negative impact on our consolidated income. Declining revenues are from increased internet piracy and consumers shifting towards illegal digital IPTV set-top boxes. The Company is actively involved in fighting this negative trend. FAIR PLAY CANADA, a coalition with more than 25 organizations combating the impact illegal piracy is having on our subscription and advertising revenue, has been lobbying the Canadian Radio-television and Telecommunications Commission (CRTC) to establish an independent anti-piracy, website-blocking agency, which would curtail digital media theft. The CRTC considered the matter and felt that it was out of its jurisdiction and that the matter fell under copyright legislation. The Company subsequently pursued the matter under the recommendation of the CRTC with the Copyright Board of Canada. The Government of Canada has appointed an external Broadcasting and Telecommunications Legislative Review (BTLR) panel ("Panel") to review Canada's communication legislative framework. The Panel will examine issues such as telecommunications and content creation in the digital age, net neutrality and cultural diversity, and how to strengthen the future of Canadian media and Canadian content creation. The Company has provided a submission to the Chair of the Panel and focused specifically on tackling the piracy issue by requesting granting of appropriate rights to the CRTC to allow it to intervene and aid in the appropriate manner or alternatively creating a separate agency to combat such illegal pirate websites and services. The Company also emphasized the fact that more than 20 of Canada's international peers have established similar regimes, including the UK, Australia, France, Belgium, Portugal, Spain, Italy, Ireland, Sweden, Norway, Finland, and Denmark. Some are administered by courts and others by administrative agencies like the CRTC. The Panel has set the date to conclude on the matter by January 30, 2020 and also made public the Company's submission in the meanwhile as well.
- As a result of declining revenues and continued losses, the board of directors of the Company eliminated its quarterly dividend. The decision was made to preserve cash in order to support its fight against internet piracy and fund its growth plans.
- The Company plans to capitalize on its relatively debt-free capital structure and explore alternative business plans in its goal to diversify its revenue base in the upcoming 2019 year. To that extent, the Company has registered itself with Ontario Film Communication to officially offer its studios for rental and generate incremental rental revenue during its downtime and non-business hours. The Company is also planning on increasing its commercial video productions' portfolio in the Canadian marketplace as well by harnessing the skills of its talented employees and offering video production services to businesses. The company's goal is to focus on piracy-proof lines of business while simultaneously continuing its fight against piracy on its broadcasting business.

OPERATIONAL HIGHLIGHTS FOR THE FISCAL YEAR

- On last year, the Canadian Radio-television and Telecommunications Commission (CRTC) recognized Canada's need of access to multilingual, multi-ethnic programming, particularly national, regional and local news and information shows produced from a Canadian point of view. On April 23, 2018 the CRTC announced that CanadaWorld TV is one of a select group of qualified applications under consideration to operate a national, multilingual, multi-ethnic TV channel with mandatory distribution across Canada. CanadaWorld TV is a partnership of ATN, and other leading broadcasters like Corus Entertainment Inc, and the longstanding ethnic community shareholders and management of TLN Media Group. The application is also supported by Canada's national public broadcaster, the CBC. With its diverse and experienced governance structure, CanadaWorld TV will be uniquely positioned to adapt to Canada's changing ethnocultural demographics and remain relevant to Canadians from coast to coast. In November 2018, the Company appeared in a public panel as part of the partnership with Corus and TLN Media Group to present its application for the license. The outcome of the hearing is still pending.
- During the quarter, ATN announced that it became the exclusive Canadian television rightsholder for the first professional Twenty20 cricket league in North America, Global T20 Canada. Global T20 Canada ran from June 28 to July 15, 2018 and featured many of cricket's top international stars including Chris Gayle, Andre Russell, Shahid Afridi, Daren Sammy, Lasith Malinga, Steve Smith, Sunil Narine, David Miller and Dwayne Bravo. Overall, 96 players from around 20 countries showcased the popular Twenty20 form of cricket known for its fast-paced action, pageantry and infusion of popular culture elements. Five franchise teams vied for the championship – Toronto Nationals, Vancouver Knights, Edmonton Royals, Montreal Tigers and Winnipeg Hawks - along with the Cricket West Indies B Team, comprised entirely of players from the Caribbean.
- ATN announced that it has acquired the broadcast rights for the fifth season of Indian Super League Soccer to be held in India between September 2018 and March 2019. The Hero Indian Super League (ISL) is India's unrivalled football championship kicked off in 2014. The league is co-promoted by Reliance, Star India and supported by the All India Football Federation (AIFF). India's leading industrialists and celebrities from sports as well as the Indian film industry have heavily invested in the league's ten franchises based in the following cities: Chennai, Delhi, Goa, Guwahati, Kochi, Kolkata, Mumbai,

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Pune, Bengaluru and Jamshedpur. For the first time in Indian football, globally renowned soccer players will be playing alongside the best Indian footballers. With a mission to revolutionize the sport, Indian Super League is positioned as a high quality and dynamic league that will elevate Indian football to an international level.

- The Company is currently involved in a disagreement with one of its broadcasting distribution undertaking ("BDU") partners. The matter relates to differences in interpretation and intent between the Company and the BDU in connection with an agreement signed during the year between the two parties. It also includes a discrepancy pertaining to the rates being paid by the BDU to the Company on certain channels. Management, in consultation with its legal counsel, has accrued an amount that represents the most likely outcome of the settlement. Management is unable to disclose the financial effect of this matter as discussions are still ongoing with the BDU.
- ATN has the largest collection of original South Asian Canadian content in its television broadcast library. The majority of these programs are exclusively produced by ATN over the last four decades. The archives are invaluable and reflect the community's contribution to art, culture, education, music, dance, cinema, sports, politics, business and public service. ATN's past and present productions also include original Canadian content with international celebrities from overseas. The Company intends to further monetize its library of South Asian Canadian content through its channels and also consider the possibility of syndications outside of Canada on an international platform in the upcoming years.
- As part of its ongoing measures to identify cost-saving opportunities, the company is in the process of renegotiating its agreements with its program partners along with distribution and signal delivery contracts of its services. The company is optimistic regarding the significant financial savings it stands to realize once these discussions are successfully concluded in early 2019.

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NON-IFRS MEASURES

In addition to discussing earnings measures in accordance with IFRS, this MD&A provides the following non-IFRS measures which are also factors used by the Company's management and Board of Directors in monitoring and evaluating the performance of the Company. The Company's management also believe certain investors use it as a measure of the Company's financial performance and for valuation purposes.

EBITDA (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. EBITDA is also an indicator widely used for business valuation purposes. The following table reconciles IFRS measures disclosed in the audited consolidated statement of income for the three months and twelve months ended December 31, 2018 and December 31, 2017 to EBITDA:

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Net loss for the period	\$(576,762)	\$(111,556)	\$(1,501,713)	\$(164,029)
Income tax recovery	(186,374)	(165,083)	(530,702)	(55,648)
Finance costs (interest)	4,051	5,376	16,163	25,097
Depreciation and amortization	403,551	237,701	1,527,220	1,189,866
EBITDA	\$(355,534)	\$(33,562)	\$(489,032)	\$995,286

EBITDA is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

ADDITIONAL GAAP MEASURES

Profit from operations is included in the Statement of Cash Flow which forms part of the Audited Consolidated Financial Statements and may be considered to be an additional GAAP (general accepted accounting principles) measure presented under IFRS. This measure provides management a useful indicator of the Company's ability to operate profitably as it excludes the impact of certain working capital measures, such as changes in trade and other receivables, changes in prepaid expenses and changes in accounts payable and accrued liabilities. The Company's management also believe certain investors use it as a measure of the Company's financial performance. Profit from Operations is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

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PERFORMANCE REVIEW

Selected Financial Highlights

Set out below are selected financial measures for each of the years ended December 31, 2018, 2017 and 2016.

During 2016 to 2018, the Company continued to experience declining revenues from consumers shift towards digital and on-line media consumption along with illegal IPTV set top boxes. Additionally, a number of online media companies have entered the market with video offerings like over-the-top (OTT) and other channels streaming their own content.

Audited twelve months ended December 31,	2018	2017	2016
Operating revenue	\$14,829,631	\$20,095,583	\$24,006,724
Net (loss) income	\$(1,501,713)	\$(164,029)	\$565,084
Weighted average number of outstanding shares			
Basic	24,402,914	24,402,914	24,402,914
Diluted	24,402,914	24,402,914	24,402,914
(Loss) Earnings per share			
Basic	\$(0.06)	\$(0.01)	\$0.02
Diluted	\$(0.06)	\$(0.01)	\$0.02
Total Assets	\$10,340,251	\$11,369,051	\$15,159,406
Long-term debt and finance lease obligations	\$68,165	\$114,627	\$104,393
Dividends paid during the year per common share	\$0.25	\$0.04	\$0.08

Summarized Consolidated Financial Results

Unaudited three months and audited twelve months ended December 31, 2018 and December 31, 2017 and % change

Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	%Change	2018	2017	%Change
Operating revenue	\$2,895,407	\$4,557,408	-36%	\$14,829,631	\$20,095,583	-26%
Administrative expenses	474,334	558,461	-15%	2,031,704	2,188,307	-7%
Marketing and distribution costs	2,154,287	3,019,778	-29%	10,555,623	13,283,666	-21%
Employee costs	895,117	1,118,656	-20%	3,754,793	4,301,666	-13%
Depreciation and amortization	118,745	124,699	-5%	485,072	505,762	-4%
Finance costs	4,051	5,376	-25%	16,163	25,097	-36%
Gain on disposal of assets	-	-		-	(752)	-100%
Loss (gain) on exchange difference	12,009	7,077	70%	18,691	11,514	62%
Total operating expenses	3,658,543	4,834,047	-24%	16,862,046	20,315,260	-17%
(Loss) income before taxes	(763,136)	(276,639)	176%	(2,032,415)	(219,677)	825%
Income tax (recovery) expense	(186,374)	(165,083)	13%	(530,702)	(55,648)	854%
Net (loss) income for the period	\$(576,762)	\$(111,556)	417%	\$(1,501,713)	\$(164,029)	816%
Basic and Diluted (Loss) Earnings per share	\$(0.02)	\$(0.00)	-291%	\$(0.06)	\$(0.01)	-129%
EBITDA	\$(355,534)	\$(33,562)	-105%	\$(489,032)	\$995,286	-72%

Consolidated operating revenue was \$2,895,407 in the three months ended December 31, 2018, a decrease of \$1,662,001 over the three months ended December 31, 2017. For the year ended December 31, 2018, consolidated operating revenue was \$14,829,631 compared to the previous year which was \$20,095,283, this represents a 26% decline year over year. The annual decline was primarily attributable to a decline in subscription revenues. Consolidated operating expenses was \$3,658,543 for the three months ended December 31, 2018, a decrease of \$1,175,504 or 24% than the three months ended December 31, 2017 as a result of lower marketing and distribution costs. For the year ended December 31, 2018, consolidated operating expenses were \$16,862,046, \$3,453,214 lower over last years consolidated operating expenses of \$20,315,260, primarily attributable to a decrease in marketing and distribution costs.

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Overall Analysis

Operating Revenues

Operating revenues are derived from subscription fees, advertising sales and programming and finance income. Subscriptions fees are charged to the consumer by the Broadcast Distribution Undertakings ("BDUs" or singular, "BDU") such as cable, satellite and telephone companies. The portion of the fees received for each subscriber is negotiated between ATN and the BDUs and varies for each channel. Subscribers are generally permitted to change their viewing package at any time and therefore may terminate their subscription with the BDUs at any time. Advertising revenues are derived from national, regional and local advertising customers and are aired on the Company's broadcasting channels and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Advertising is sold directly by ATN or through an agency on short and long-term contracts, ranging from one day, a week or several months, however contracts never extend beyond one year.

Operating revenues are detailed as follows:

Three months and twelve months ended December 31, 2018 and December 31, 2017 and % Change

Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	%Change	2018	2017	%Change
Subscription	\$1,514,417	\$3,296,779	-54%	\$9,901,782	\$14,798,993	-33%
Advertising	1,288,654	1,174,305	10%	4,564,702	4,696,019	-3%
Programming	76,935	70,498	9%	299,174	546,612	-45%
Finance income	15,401	15,826	-3%	63,973	53,959	19%
Total revenue	\$2,895,407	\$4,557,408	-36%	\$14,829,631	\$20,095,583	-26%

Total revenues reached \$2,895,407 and \$14,829,631 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$4,557,408 and \$20,095,583 for the same periods last year, for a quarterly decrease of \$1,782,362 and an annual decrease of \$4,897,211 respectively.

The decrease in overall revenue for the quarter and the 12 months ended December 31, 2018 is due to a decline in subscription revenue, caused by consumer pressure for lower retail subscription fees as a result we continue to see the trend where consumers are dropping their legal television providers for mostly illegal digital and online media Companies.

Advertising revenue has increased by 10% on a quarter over quarter basis and decreased by 3% on a year over year basis. Since advertisements are also seen on the illegal services showcased by the IPTV set top boxes, the change in advertising revenue is not directly correlated to change in subscription revenue and thus, may vary over periods. Advertising revenue has increased by \$114,349 and decreased by \$131,317 respectively for the three and twelve month periods ended December 31, 2018, compared to the same periods last year.

Administrative expenses

Administrative expenses were \$474,334, and \$2,031,704 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$558,461 and \$2,188,307 for the same periods last year, for decreases of \$84,127 and \$156,603 respectively.

The variations are attributed mainly by external factors of running the facility along with cutting costs where possible.

Marketing and distribution costs

Marketing and distribution costs were \$2,154,287 and \$10,555,623 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$3,019,778 and \$13,283,666 for the same periods last year, for a decrease of \$865,491 and a decrease \$2,728,043 respectively.

The decrease for the quarter and on an annual basis in marketing and distribution costs are attributable to mainly lower programming costs due to declining revenues. These costs, however, can fluctuate somewhat, for example our sports and general interest channels may incur additional costs to enhance their programming schedules.

Employee costs

Employee costs were \$895,117 and \$3,754,793 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$1,118,656 and \$4,301,666 for the same periods last year, for decreases of \$223,539 and \$546,873 respectively.

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Employee costs represent a material portion of our expenses. During the past three and twelve months management reduced its employee staffing requirements and will continue to do so as necessary. The Company anticipates further declines in employee costs in the months ahead as a result of declining revenues.

Depreciation and amortization

Depreciation and amortization expense were \$118,745 and \$485,072 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$124,699 and \$505,762 for the same periods last year, for a decrease of \$5,954 and \$20,690 respectively.

Depreciation and amortization expense changes are attributable to the changes in property and equipment acquired during 2018 and 2017 and property and equipment coming to end of use and not being replaced.

Finance costs

Finance costs were \$4,051 and \$16,163 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$5,376 and \$25,097 for the same periods last year, for decreases of \$5,954 \$20,690 respectively.

The decrease is due to the Company's reduction in its long-term debt borrowings.

Loss on exchange differences

Loss on exchange differences were \$12,009 and \$18,691 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$7,077 and \$11,514 for the same periods last year, for increases of \$4,932 and \$7,177 respectively.

The differences are due to the Company risk associated with transacting in foreign currency, mainly the United States Dollar. See also section ("Interest Rate and Foreign Exchange Management")

Income tax recovery

Income tax recovery was \$186,374 and \$530,702 respectively, for the three and twelve month periods ended December 31, 2018 compared to \$165,083 and \$55,648 for the same periods last year, for an increase of \$21,291 and \$475,054 respectively.

Our effective income tax rate for the three and twelve month periods ended December 31, 2018 was 26.1% and 25.3% respectively. Due to year-end tax planning, non-deductible amounts for Federal tax purposes and other items, income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before tax.

Net loss for the period and Loss per share ("LPS")

Net loss and LPS was \$576,762 (LPS - \$0.02) and \$1,501,713 (LPS - \$0.06) respectively, for the three and twelve month periods ended December 31, 2018 compared to \$111,556 (LPS - \$0.00) and \$164,029 LPS - \$0.01 for the same periods last year.

The 36% decrease in year over year operating revenue contributed to the current year's net loss of \$1,501,713.

Quarterly Performance

The following table highlights the quarterly performance of the Company's operations for the past eight quarters, prepared in accordance with IFRS.

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$5,189,454	\$5,205,846	\$5,142,875	\$4,557,408	\$4,209,064	\$3,959,427	\$3,765,733	\$2,895,407
EBITDA (1)	19,823	653,090	279,737	(33,562)	(97,520)	(56,153)	20,175	(355,534)
Net income (loss)	(231,340)	202,081	(23,214)	(111,556)	(256,024)	(426,270)	(242,657)	(576,762)
Basic EPS (LPS)	\$(0.01)	\$0.01	\$0.00	\$0.00	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)
Diluted EPS (LPS)	\$(0.01)	\$0.01	\$0.00	\$0.00	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)

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The Company's revenue and operations results vary, depending on the quarter.

The above financial data was prepared in accordance with IFRS except EBITDA which is a Non IFRS measure. See Non-IFRS Measures.

SEGMENTED INFORMATION

The Company has only one business segment and therefore does not report financial results on a segmented basis.

OVERVIEW OF LIQUIDITY, FINANCING AND SHARE CAPITAL ACTIVITIES

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Management deems its liquidity risk to be low and this is explained in the paragraphs that follow.

Credit Facility and Covenants

The Company has an authorized line of credit of \$500,000. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The Company is subject to covenants on its credit facility. The Company's bank covenants include standard terms and conditions and the line is secured by term deposits held by the financial institution. As of December 31, 2018, the Company has utilized \$230,000 of this facility recorded as Bank Indebtedness.

The Company has an authorized revolving line of credit of \$500,000 to assist with financing of broadcasting and similar technology. As of December 31, 2018, the Company has utilized \$114,618 of this facility recorded as Finance Lease Obligations.

The Company was in compliance with the covenants throughout the quarter and at quarter end. Cash flow from operations and funds available from the Company's \$500,000 credit facility have been the primary funding sources of working capital, capital expenditures, dividend payments, debt repayments, and other contractually required payments through the past several years.

Positive Cash Balances

The Company maintains positive cash balances. The fact that the Company has positive cash positions on its Statement of Financial Position reduces its liquidity risk to fund any current obligations. It can also access any unused capacity in its credit facility to fund obligations.

Working Capital Requirements

As at December 31, 2018, the Company's working capital balance was approximately \$2.1 million. The cash on hand and the cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations the Company will be able to meet all other current cash requirements as they arise. In addition, if cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a \$500,000 operating credit line for which \$270,000 is available.

Future Cash Requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide less funds to meet its cash requirements. The Company's future cash requirements are summarized in a table under the heading "Contractual Obligations"

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Operating, Financing and Investing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Net cash flows from operating activities	\$27,975	\$720,944	\$461,616	\$499,330
Net cash flows from (used in) investing activities	(430,541)	319,051	(2,326,043)	(341,203)
Net Cash flows used in financing activities	107,983	(685,434)	(427,411)	(2,119,067)
Net cash increase (decrease) in cash and cash equivalents	(294,583)	354,561	(2,291,838)	(1,960,940)
Cash and cash equivalents at beginning of period	3,318,895	4,961,589	5,316,150	7,277,090
Cash and cash equivalents at end of period	\$3,024,312	\$5,316,150	\$3,024,312	\$5,316,150

Cash provided by operating activities

The Company's cash balances decreased from \$5,316,150 as at December 31, 2017 to \$3,024,312 as at December 31, 2018. The \$2,291,838 decrease was caused by declining cash from operating activities not able to cover the cash required to cover investing and financing activities. The payments to acquire intangible assets accounted for \$2,065,767 of the \$2,291,838 decrease.

Cash from investing activities

Cash from (used in) investing activities was \$(430,541) and \$(2,326,043) respectively, for the three and twelve month periods ended December 31, 2018 compared to cash provided by of \$319,051 and \$(341,203) for the same periods last year. Cash used in investing activities is primarily as a result of payments to acquire intangible assets along with payments and proceeds related to acquire or dispose short-term investments.

Cash used in financing activities

Cash used in financing activities was \$107,983 and \$(427,411) respectively, for the three and twelve month periods ended December 31, 2018 compared to \$(685,434) and \$(2,119,067) for the same periods last year. Cash used in financing activities is primarily as a result of \$610,073 payments of dividends for the twelve month periods ended December 31, 2018, compared to \$679,524 in repayments of long-term debt and \$1,464,175 payments of dividends for the same period last year.

Finance lease obligations

Our finance lease obligations are described in details in Note 13 of our 2018 Annual Audited Consolidated Financial Statements.

Interest Rate and Foreign Exchange Management

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. The exposure to interest rate risk arises from borrowings and investments issued at variable and fixed interest rates.

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings.

The Company has minimal interest and foreign exchange risk.

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Outstanding Common Share data

Set out below is our outstanding common share data as at December 31, 2018 and at December 31, 2017.

Designation of Security	Number or Principal Amount Outstanding	If Convertible, Exercisable or Exchangeable for Common Shares, Maximum Number of Common Shares Issuable
Common Shares	24,402,914	N/A
Stock Options	Nil	Nil
Warrants	Nil	Nil
Total (maximum number of shares – fully diluted)	24,402,914	

We declared and paid dividends on each of our outstanding Common shares, as follows:

Declaration date	Record date	Payment date	Dividend per share	Dividends paid
July 4, 2016	July 15, 2016	July 29, 2016	\$.02	\$ 488,058
October 3, 2016	October 15, 2016	October 31, 2016	\$.02	\$ 488,058
January 3, 2017	January 15, 2017	January 31, 2017	\$.02	\$ 488,058
April 3, 2017	April 13, 2017	April 28, 2017	\$.02	\$ 488,058
July 4, 2017	July 14, 2017	July 31, 2017	\$.01	\$ 244,029
October 3, 2017	October 15, 2017	October 31, 2017	\$.01	\$ 244,029
January 3, 2018	January 15, 2018	January 31, 2018	\$.01	\$ 244,029
April 3, 2018	April 15, 2018	April 30, 2018	\$.01	\$ 244,029
July 3, 2018	July 15, 2018	July 31, 2018	\$.005	\$ 122,016

CONTRACTUAL OBLIGATIONS

Contractual Obligations

Our material obligations under firm contractual arrangements are summarized below at December 31, 2018. See also Notes 17 to the 2018 Audited Consolidated Financial Statements.

Obligations	2019	2020	2021	2022	After 2022	Total
Leased premises	\$512,735	\$512,735	\$512,735	\$213,640	\$ -	\$1,751,845
Operating leases	68,500	47,079	-	-	-	115,579
Purchase commitments	1,775,276	335,276	751,845	-	-	2,149,386
	\$2,356,510	\$895,090	\$551,570	\$213,640	\$ -	\$4,016,810

OFF-BALANCE SHEET ARRANGEMENTS

Operating Leases

We have entered into operating leases for the rental of premises, equipment and other contracts. Refer to the section entitled "Commitments and Contingencies" above and Note 17 to the 2018 Audited Consolidated Financial Statements.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Our business is subject to risks and uncertainties that could result in a material adverse effect on our business and financial results.

Identifying the Principal Risks of our Business

Our Board is responsible, in its governance role, for overseeing management in its responsibility for identifying the principal risks of our business and the implementation of appropriate risk assessment processes to manage these risks. The Audit Committee supports the Board through its responsibility to discuss policies with respect to risk assessment and risk management. In addition, it is responsible for assisting the Board in the oversight of compliance with legal and regulatory requirements. The Audit Committee also reviews with senior management the adequacy of the internal controls that we have adopted to safeguard assets from loss and unauthorized use, to prevent, deter and detect fraud, and to verify the accuracy of the financial records.

Market Risks and Uncertainties

The Company has been experiencing rapidly increasing costs for programming. We continue to be active in the purchase of these rights. However, we are aware of and will guard against the risks inherent in purchasing product without significant gains in subscribers and revenue. The Company's channels are distributed nation-wide by a small number of cable and satellite companies. We rely on these companies to distribute our channels to our customers.

To achieve this end, we work diligently with them to maximize the number of channels carried individually by them. The BDUs, such as cable, satellite and telephone companies are our customers. It is their responsibility to report to us the actual number of subscribers and the actual amount of subscription revenue. In addition, management reviews external data for the current and prior periods to assist in the verification of the data obtained from the BDUs. The risk inherent in this relationship is the possibility of an error in reporting to us the number of subscribers or the amount of subscription revenue. Although management reviews internal and external subscriber data, management nonetheless relies on the accuracy and integrity of reports obtained from BDUs to verify the number of subscribers to the Company's channels.

Technology Risks and Uncertainties

The Company is constantly aware of all changes in technology that affects or will affect the distribution of our channels or offer a new method of distribution. Many of these changes affect the way the Company distributes its content. However, equally important, some changes directly affect the capacity of a carrier to be able to distribute more or all of our channels. Although, management remains diligent reviewing these changes for new opportunities for our Company's channels to reach new markets, the cost to the Company of accessing new technologies may negatively impact on the Company's profitability.

General Economic Conditions and Consumer Audience Confidence Risks and Uncertainties

Our business is affected by general economic conditions, consumer confidence and spending. Recessions or declines in economic activity or economic uncertainty generally cause an erosion of consumer and business confidence and may materially reduce discretionary consumer spending. Any reduction in discretionary spending by consumers and businesses or weak economic conditions may materially negatively affect us through decreased demand for our services including decreased advertising, decreased revenue and profitability, and higher bad debt expense.

The specialty television industry in which the Company operates involves a certain amount of risk. There can be no assurance of the economic success of any specialty television channel as revenues depend on audience acceptance, which cannot be accurately predicted. Audience acceptance is impacted by the specialty television service's content, reviews of critics, marketing and promotions, the quality and acceptance of other competing services, the availability of alternative forms of entertainment, leisure activities, general economic conditions, public tastes and other intangible factors. The lack of audience acceptance for the Company's specialty television channels could have an adverse impact on the Company's business, results of operations, prospects or financial condition.

We may fail to anticipate or satisfy demand for certain new services or may not be able to offer or market these new services successfully to subscribers. The failure to attract subscribers to new services, or failure to keep pace with changing consumer preferences, would slow revenue growth and could have a materially adverse effect on our business, results of operations and financial condition.

Our television specialty services compete principally for viewers and advertisers with other Canadian specialty services that broadcast in their respective markets and increasingly with Internet TV video downloading which also represents competition for share of viewership. In addition, our subscription revenue and advertising revenue are generally negatively impacted by economic cycles. Although the Company continues to develop flexible advertising packages and distribution channels tailored to the needs of advertisers, a general downturn in advertising budgets for television advertisers will have a negative impact on ATN's advertising revenue.

Dependence on BDUs Distributors or Programming Suppliers

The Company is dependent on BDUs for its subscription revenue. The termination by any one BDU of its broadcasting of one or more of ATN's channels or changes in how the channels are offered to subscribers may have a significant negative impact on ATN's revenues. The Company address this risk by attempting to ensure that at least one BDU distributes some or all of its channels in each large Canadian metropolitan area, but nonetheless the loss of one BDU could be expected to impact ATN's revenue. Furthermore, the number of pay television households subscribing to traditional Canadian Cable or Satellite TV services continues to decline. Other video offerings available to consumers over the Internet such as, direct-to-consumer subscription or free services, some with pirated content, have contributed to this trend. If this decline continues, it could have a material adverse effect on our results of operations.

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The Company has taken an active role in protecting its content rights and is working with many of its BDU partners in combatting the threat of piracy by legal means.

The Company is likewise dependent on its content suppliers for its subscription revenue. The termination by any one of its content suppliers could affect the number or quality of ATN's channels thus having a negative impact on ATN's revenues. The Company address this risk by attempting to ensure that it distributes content from most or all of the major south Asian content suppliers, but nonetheless the loss of any supplier could be expected to impact ATN's revenue.

Regulatory Risks and Uncertainties

The specialty television services industry is regulated by the, Canadian Radio-television and Telecommunications Commission ("CRTC") under the Broadcasting Act (Canada) (the "Broadcasting Act") which grants and renews licenses. The Company's broadcasting licenses must be renewed from time to time, typically every seven years, and cannot be transferred without regulatory approval. The Company's inability to renew its licenses on favorable terms, or at all, would have an adverse impact on its results of operations, prospects and financial condition.

Changes in the regulations governing the specialty television industry, including decisions by regulators affecting the Company's broadcasting operations, such as the granting or renewal of licenses or the granting of additional broadcasting licenses to competitors or the introduction of new regulations by regulators, could adversely impact operating results, prospects and financial condition of the Company. Our television specialty services may compete principally for viewers and advertisers with other similar, if any, Canadian or foreign specialty services that broadcast in their respective markets.

Substantially all of our business activities are subject to regulation by the CRTC, and, accordingly, our results of operations are affected by changes in regulations and by the decisions of these regulators.

Our broadcasting specialty services are licensed (or operated pursuant to an exemption order) and regulated by the CRTC pursuant to the Broadcasting Act. Under the Broadcasting Act, the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing certain broadcasting policy objectives enunciated in that Act.

The Company actively monitors the regulatory environment to ensure it is aware of all risks and opportunities. The licensing process creates a significant barrier to entry which provides a degree of protection for the Company in its existing markets. This also makes it difficult to enter new markets because a company either needs to be awarded a new licence (through the public process) or pay significant funds for existing stations in a market. However, ATN competes with a number of broadcasters who either have existing channels or have resources to acquire new distribution outlets.

ACCOUNTING

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A has been prepared with reference to our 2018 Audited Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with IFRS. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates and assumptions are generally based on historical experience and other factors management believes to be relevant at the time financial statements are prepared. Although these estimates and assumptions are made with diligence, actual results could differ from the reported amounts disclosed in the Company's consolidated financial statements and future revisions of estimates and assumptions could impact results of future periods.

Allowance for doubtful accounts

A portion of the Company's revenue is earned from selling on credit to individual consumers and business customers. The allowance for doubtful accounts is calculated by specifically identifying individual accounts which management determines to be potentially uncollectible. Factors that are taken into consideration include the Company's historical collections experience with the customer and the status of the customer's account with respect to whether the customer is continuing to receive service.

Revenue recognition

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue at the date of the consolidated financial statements. Actual results could differ from those estimates.

Accrued liabilities

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities at the date of the financial statements and the reported amounts expensed during the year. Actual results could differ from those estimates.

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Provisions

The Company is required to estimate future cash payments related to present obligations resulting from known events. Such estimates include the likelihood that the settlement of the obligation will require cash payments, the amounts that could be paid and the timing of the potential payments. The Company believes that the assumptions used are reasonable based on information currently available, but final payments could differ materially from provisions recognized on the consolidated statement of financial position.

Income taxes

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required for the calculation of current and deferred taxes.

Useful lives of property, plant and equipment

Measurement of Property, Plant and Equipment ("PP&E") involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value, and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

ACCOUNTING POLICIES

This MD&A has been prepared with reference to our 2018 Audited Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with IFRS. The Audit Committee of the Board reviews our accounting policies, reviews all quarterly and annual filings, and recommends approval of our annual financial statements to the Board. For a detailed discussion of our accounting policies, see Note 2 to the 2018 Audited Consolidated Financial Statements. In addition, a discussion of new accounting standards adopted by us and critical accounting estimates are discussed in the sections "Critical Accounting Estimates" and "Recent Accounting Pronouncements" respectively.

Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligation under the contract exceed the expected benefits to be derived by the Company. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognize any impairment loss on the assets associated with the contract.

Determining the fair values of assets acquired and liabilities assumed

The determination of the fair values of the tangible and intangible assets acquired and the liabilities assumed in an acquisition involves considerable judgment. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future subscribers, and the use of information available in the financial markets. Should actual rates, cash flows, costs and other items differ from our estimates, this may necessitate revisions to the carrying value of the related assets and liabilities acquired, including revisions that may impact net income in future periods.

Impairment of non-financial assets

The impairment test on cash generating units ("CGU") is carried out by comparing the carrying amount of the CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

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RECENT ACCOUNTING PRONOUNCEMENTS

New Standards Implemented

The Company has adopted the following new accounting standards and amendments, effective January 1, 2018. The adoption of these standards and amendments did not have an impact on the Company's results of operations, financial position and disclosures.

IFRS 9

The standard was issued and has replaced IAS 39 – Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory.

Classification & Measurement

IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified based on the business model in which they are held and the characteristics of their contractual cash flows. Financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). IFRS 9 eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 did not, however, change the measurement bases of our financial assets. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For both assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. The Company reclassifies financial assets only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

- Cash and cash equivalents and short-term investments are classified as assets at fair value through profit and loss and any period change in fair value is recorded through Interest income in the consolidated statement of operations, as applicable.
- Accounts receivable and other deposits are classified as assets at amortized cost and are measured using the effective interest rate method. Interest income is recorded in the consolidated statement of operations, as applicable.
- Accounts payable, credit facilities, and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in the consolidated statement of operations, as applicable.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Effective January 1, 2018, the Company has adopted IFRS 9, which did not have a material impact on the Company's consolidated financial statements and thus prior period financial statements were not adjusted.

IFRS 15

IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue (IAS 18) and IFRIC 13, Customer loyalty programmes (IFRIC 13).

IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and supersedes previous accounting standards for revenue, including IAS 18, Revenue (IAS 18) and IFRIC 13, Customer loyalty programmes (IFRIC 13). It establishes a new five-step model that applies to revenue arising from contracts with customers.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company earns revenue from several sources and it is measured at the fair value of the consideration received or receivable. Revenue recognition policies are as follows:

- i. Finance income - is recognized on an accrual basis, based on the principal outstanding and at the effective interest rate applicable.
- ii. Advertising - is recognized in the period the advertising airs on the Company's television channels.

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iii. Monthly subscription revenue – is received from cable and satellite providers and is recognized in the month in which the services are provided.

The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. Effective January 1, 2018, the Company has adopted IFRS 15, which did not impact the Company's financial results.

IFRS 16

Effective January 1, 2019, the Company will adopt IFRS 16. Our first quarter 2019 interim financial statements will be our first financial statements issued in accordance with IFRS 16. IFRS 16 supersedes the current accounting standards for leases, including IAS 17, Leases (IAS 17) and IFRIC 4, Determining whether an arrangement contains a lease (IFRIC 4).

This standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As a result of adopting IFRS 16, the Company expects to recognize a significant increase in assets and liabilities as our operating leases will be brought onto the consolidated statements of financial position. The Company expects an increase in depreciation and interest expenses and also an increase in cash flow from operating activities as cash payments for the principal portion of the lease will be recorded as financing outflows in the consolidated statements of cash flows. The Company intends to adopt the new standard on the required effective date.

We will adopt IFRS 16 with the cumulative effect of initial application recognized as an adjustment to retained earnings within shareholders' equity on January 1, 2019. We will not restate comparatives for 2018 under the modified retrospective approach. At transition, we will apply the practical expedient available to us as lessee that allows us to apply this standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. The new IFRS 16 standard will be applied to any contracts entered into and modified subsequent to Jan 1, 2019.

When applying IFRS 16 to leases previously classified as operating leases, the Company has chosen to apply a practical expedient that permits the exclusion of any initial direct costs from measuring the right-of-use asset as at January 1, 2019.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition will be measured at the present value of remaining lease payments, discounted at the incremental borrowing rate as at January 1, 2019.

Generally, right-of-use assets at transition will be measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent outstanding. For certain leases where we have readily available information, we will elect to measure the right-of-use assets at their carrying amounts as if IFRS 16 had been applied since the lease commencement date using the related incremental borrowing rate for the remaining lease period as at January 1, 2019. The asset will generally be depreciated over the remaining lease term, unless we expect to obtain ownership of the leased asset at the end of the lease.

Below is the estimated effect of transition to IFRS 16 on our consolidated statement of financial position as at January 1, 2019:

	Effect of IFRS 16 transition
Assets	
Right of use assets - building	\$ 1,229,470
Right of use assets - other	37,963
Total Assets	\$ 1,267,433
Liabilities	
Current portion of lease liabilities	\$ 467,602
Non-current portion of lease liabilities	1,192,748
	1,660,350
Shareholders' equity	(392,917)
Total Liabilities & Shareholders' Equity	\$ 1,267,433

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CONTROLS AND PROCEDURES

The management of our company is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

The Chief Executive Officer and Chief Financial Officer of the Company, the "Certifying Officers" evaluated the effectiveness of our internal control over financial reporting ("ICFR") as of April 30, 2019. Based on this evaluation, management has concluded that, as of December 31, 2018, our ICFR reporting is effective. There have been no changes in our ICFR during the 12 months ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our ICFR.

The Company is not required to certify the design and evaluation of its disclosure control and procedures (DC&P) or ICFR and although the Certifying Officers have evaluated the effectiveness of the Company's ICFR as at December 31, 2018, the Certifying Officers have not evaluated or caused to be evaluated the effectiveness of the Company's DC&P. The inherent limitations on the ability of the Certifying Officers to design and implement on a cost-effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FOR MORE INFORMATION:

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