Asian Television Network International Limited
Management's Discussion and Analysis
For the three and six months ended June 30, 2016 and June 30, 2015

The purpose of this Management's Discussion and Analysis ("MD&A"), dated August 24, 2016 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, 2015 and related notes in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months period ended June 30, 2016. 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 offices, 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. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2015.

All of our operations are in Canada.

Table of Contents	Pages

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 54 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 (TSX-V: 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.

FINANCIAL HIGHLIGHTS FOR THE QUARTER

- On April 1, 2016 the Company declared a dividend of $0.02 on each common share outstanding, payable on April 30, 2016, to shareholders of record at the close of business of April 15, 2016.
- Consolidated operating revenue decreased 3% this quarter over same the three months ended June 30, 2016.
- Subscription revenues declined 8% and advertising revenue increased 20%. Subscription revenue decreased primarily due to continued softness in conventional broadcast television partially offset by growth in advertising revenue.
- Net income decreased this quarter primarily as a result of lower operating revenue and higher depreciation and amortization. Net income this quarter was also affected by higher employee costs.

OPERATIONAL HIGHLIGHTS FOR THE QUARTER

- April 19, 2016 —Tata Communications, a leading provider of A New World of Communications™, announced it will be partnering with ATN, to bring the network's content to Canadian viewers, with potential for further international expansion. Using Tata Communications' Media Ecosystem, ATN Canada will deliver a mix of news, sports and entertainment content to Canadian viewers on virtually any device later this summer. ATN will leverage Tata Communications' end-to-end managed over the-top (OTT) and playout services to deliver content in an intuitive app format. Through the first phase of deployment, the network's extensive mix of South Asian cultural content will be made available through several linear channels, across multiple formats such as iOS and Apple TV, Android, Roku, Fire TV and SMART TVs. This will complement ATN's current national distribution of more than 50 linear services, enabling the network to future-proof its offering as the way people consume content continues to evolve.
- On July 25, 2016 ATN announced that it has acquired exclusive Cricket rights for Cricket Australia, England Cricket Board, Cricket Ireland and Caribbean Premiere League. The rights consist of all the games played in Australia from 2016 – 2021 including Big Bash League – (Men's & Women's), three bi-lateral series played in England in 2016 & 2017, three bi-lateral & one tri-series played in Ireland from 2016 – 2018 and the on-going Caribbean Premiere League 2016.

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 unaudited interim condensed consolidated income statements for the three and six months ended June 30, 2016 and June 30, 2015 to EBITDA:

	Three months ended June 30		**Six months ended June 30**	
	2016	2015	**2016**	2015
Net income for the period (earnings)	**$200,364**	$471,283	$401,017	$832,729
Income tax expense	**93,084**	174,504	186,043	309,186
Finance costs (interest)	**10,259**	13,826	20,904	28,927
Depreciation and amortization	**210,354**	176,658	414,080	350,653
EBITDA	**$514,061**	$836,271	$1,022,044	$1,521,495

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.

PERFORMANCE REVIEW

Summarized Consolidated Financial Results

Three and six months ended June 30, 2016 and June 30, 2015 and % Change

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

	Three months ended June 30			Six months ended June 30		
	2016	2015	%Change	**2016**	2015	%Change
Operating revenue	**$6,250,709**	$6,441,117	-3%	**$12,342,581**	$12,668,000	-3%
Administrative expenses	**538,196**	540,060	0%	**1,065,617**	1,048,222	2%
Marketing and distribution costs	**4,107,457**	4,002,977	3%	**8,093,157**	8,008,914	1%
Employee costs	**1,099,675**	1,063,479	3%	**2,179,654**	2,091,012	4%
Depreciation, amortization and impairments	**210,354**	176,658	19%	**414,080**	350,653	18%
Finance costs	**10,259**	13,826	-26%	**20,904**	28,927	-28%
(Gain) on sale of asset	**(8,852)**	-		**-**	-	
Loss (gain) on foreign exchange differences	**172**	(1,670)	-110%	**(17,891)**	(1,643)	-450%
Total operating expenses	**5,957,261**	5,795,330	3%	**11,755,521**	11,526,085	2%
Income before taxes	**293,448**	645,787	-57%	**587,060**	1,141,915	-49%
Income tax expense	**93,084**	174,504	-47%	**186,043**	309,186	-40%
Net income for the period	**$200,364**	$471,283	-57%	**$401,017**	$832,729	-52%
Basic and Diluted Earnings per share	**$0.01**	$0.02	-57%	**$0.02**	$0.03	-52%
EBITDA	**$514,061**	$836,271	-39%	**$1,022,044**	$1,521,495	-33%

The most significant variances in the consolidated results for the three and six month periods ended June 30, 2016 compared to the same periods last year is decline in subscription revenue. Factors that have had an impact on our subscription revenue, the introduction to a pick and pay model, cord-cutting as audiences are increasingly going online to view TV shows and increasing use of grey and black market services to view digital content. The Company has made these issues one of its top priorities.

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 and six months ended June 30, 2016 and June 30, 2015 and % Change

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

	Three months ended June 30			**Six months ended June 30**		
	2016	2015	%Change	**2016**	2015	%Change
Subscription	**$4,689,468**	$5,083,624	-8%	**$9,453,670**	$10,248,818	-8%
Advertising	**1,404,471**	1,169,043	20%	**2,569,811**	2,098,727	22%
Programming	**141,892**	171,354	-17%	**290,287**	279,287	4%
Finance income	**14,878**	17,096	-13%	**28,813**	41,168	-30%
Total	**$6,250,709**	$6,441,117	-3%	**$12,342,581**	$12,668,000	-3%

Total revenues reached $6,250,709 and $12,342,581 respectively, for the three and six month periods ended June 30, 2016 compared to $6,441,117 and $12,668,000 for the same periods last year, for decreases of $190,408 and $325,419 respectively.

The decrease in overall revenue for the quarter and the six month ended June 30, 2016 is due to an 8% decline in subscription revenue, caused by consumer pressure for lower retail subscription fees, the introduction to a pick and pay model along with grey and black market infiltration. Our advertising revenue on the other hand has increased 20% on a quarter over quarter basis and 22% on a year over year basis. Overall the advertising market has become robust despite the current treads towards other advertising means such online digital and radio. Advertising revenue has increased by $235,428 and $471,084 respectively, for the three and six month periods ended June 30, 2016 compared to the same periods last year.

Administrative expenses

Administrative expenses were $538,196 and $1,065,617 for the three and six month periods ended June 30, 2016 compared to $540,060 and $1,048,222 respectively for the same periods last year, for a decrease of $1,864 and an increase of $17,395 respectively. The year over year increase is attributed mainly to costs attributed to running the facility.

Marketing and distribution costs

Marketing and distribution costs were $4,107,457 and $8,093,157 for the three and six month periods ended June 30, 2016 compared to $4,002,977 and $8,008,914 respectively for the same period last year, for increases of $104,480 and $84,243 respectively. The increase in marketing and distribution costs for the three and six month periods ended June 30, 2016 compared the previous periods are attributable to mainly to rising costs, additional programming acquired and the costs associated with the upcoming launch of our OTT play-out service.

Employee costs

Employee costs were $1,099,675 and $2,179,654 for the three and six month periods ended June 30, 2016 compared to $1,063,479 and $2,091,012 respectively for the same period last year, for an increase of $36,196 and $88,642 respectively.

Employee costs represent a material portion of our expenses. Our employee staffing requirements increased slightly over the past three months and six months. The increase is attributed to a cost of living adjustment given to all qualifying employees in the first quarter and the addition of new employees.

Depreciation and amortization

Depreciation and amortization expense was $210,354 and $414,080 for the three and six month periods ended June 30, 2016 compared to $176,658 and $350,653 respectively for the same period last year, for increases of $33,696 and $63,427 respectively. Depreciation and amortization expense increases are attributable to the additional $320,678 in plant and equipment acquired during the 2015 year and during the first six months of 2016.

Finance costs

Finance costs were $10,259 and $20,904 for the three and six month periods ended June 30, 2016 compared to $13,826 and $28,927 respectively for the same period last year, for decreases of $3,567 and $8,023 respectively. The decrease is due to the Company's reduction in its long-term debt borrowings.

Loss (gain) on foreign exchange differences

Loss (gain) on exchange foreign exchange differences were $172 and $(9,039) for the three and six month periods ended June 30, 2016 compared to $(1,670) and $(1,643) respectively for the same period last year, for an decrease of $1,842 and increase $7,396 respectively. The changes are due to the Company's risk associated with transacting in foreign currency, mainly the United States Dollar. Also see section "Interest Rate and Foreign Exchange Management".

Income tax expense

Income tax expense was $93,084 and $186,043 for the three and six month periods ended June 30, 2016 compared to $174,504 and $309,186 respectively for the same period last year, for a decrease of $81,420 and $123,143 respectively. Our effective income tax rate for the three and six months ended June 30, 2016 and 2015 was 31.7% and 31.7% compared to 27.0% and 27.8% respectively. Due to non-deductible amounts for Federal tax purposes, income tax expense varies from the amounts that would be computed by applying the statutory income tax rate of 26.5% to income before tax.

Net income for the period and Earnings per share ("EPS") Basic and Diluted

Net income was $200,364 (EPS - $0.01) and $401,017 (EPS - $0.02) for the three and six month periods ended June 30, 2016 compared to $471,283 (EPS - $0.02) and $832,729 (EPS - $0.03) respectively for the same period last year. The Company experienced a 57% and 51% decline in net income respectively for the three and six month periods end June 30, 2016 compared to the same period last year. Lower subscription revenues contributed to the majority of the decline.

Quarterly Performance

The following table highlights the quarterly performance of the Company's operations for the past eight quarters.

	2014	2014	2015	2015	2015	2015	2016	2016
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	$6,995,882	$6,812,820	$6,226,883	$6,441,117	$6,597,606	$6,837,077	$6,091,874	$6,250,709
EBITDA (1)	996,549	667,306	685,224	836,271	882,736	963,003	507,983	514,061
Net income	626,795	366,245	361,446	471,283	491,695	538,417	200,653	$200,364
Basic EPS	$0.03	$0.02	$0.01	$0.02	$0.02	$0.03	$0.01	$0.01
Diluted EPS	$0.03	$0.02	$0.01	$0.02	$0.02	$0.03	$0.01	$0.01

The Company's revenue and operations results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, revenues are generally lower. The fourth quarter tends to be a period of higher retail spending resulting in generally in higher revenues.

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 operates in 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 terms deposits held by the financial institution. As of June 30, 2016 the Company has not utilized any of this facility.

During 2012, the Company established a $4,000,000 non-revolving credit term facility (the "Facility") with a Canadian financial institution. The interest rate applicable to the Facility available from the Canadian financial institution is the chartered bank's prime rate. The Company made an initial draw on the Facility in the amount of $3,397,608. The proceeds were used to purchase certain Plant and Equipment. The outstanding undrawn portion of this Facility of $602,392 was cancelled at December 31, 2013. This Facility is subject to certain covenants, repayable in equal monthly installments of principal plus interest, amortized over 5 years. The collateral for this Facility is a security agreement on the Plant and Equipment that was acquired by the funds of this Facility. During 2016 the Company revised its credit facility to include an authorized revolving line of credit of $500,000 to assist with financing of broadcasting and similar technology. As of June 30, 2016 the Company has utilized $123,709 of this facility.

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 significant positive cash balances. The fact that the Company has positive cash positions on its statement of financial position reduces its liquidity risk as it can be used to fund any current obligations. It can also access any unused capacity in its credit facility to fund obligations.

Working Capital Requirements

As at June 30, 2016, the Company's working capital balance was approximately $7.01 million. 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.

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 sufficient funds to meet its cash requirements. The Company's future cash requirements are summarized in a table under the heading "Contractual Obligations".

Operating, Financing and Investing Activities

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net cash flows from (used in) operating activities	**$905,849**	$(661,122)	**$1,655,261**	$766,330
Net cash flows from (used in) investing activities	**(49,241)**	(64,974)	**(193,649)**	(209,591)
Net Cash flows (used in) financing activities	**(538,561)**	(659,905)	**(1,398,584)**	(1,319,775)
Net cash decrease in cash and cash equivalents	**318,047**	(1,386,001)	**63,028**	(763,036)
Cash and cash equivalents at beginning of period	**7,491,251**	8,494,997	**7,746,270**	7,872,032
Cash and cash equivalents at end of period	**$7,809,298**	$7,108,996	**$7,809,298**	$7,108,996

Cash provided by operating activities

The Company's cash balances increased from $7,746,270 as at December 31, 2015 to $7,809,298 as at June 30, 2016. Net cash flows from operating activities were $905,849 and $1,655,261 for the three and six month periods ended June 30, 2016 compared to $(661,122) and $766,330 respectively for the same period last year. The increase was attributed to the timing of collecting our accounts receivable, the payment of our accounts payable and net income exceeding other operating cash flow needs.

Cash used in investing activities

Cash used in investing activities was $49,241 and $193,649 for the three and six month periods ended June 30, 2016 compared to $64,974 and $209,591 respectively for the same period last year. Cash used in investing activities is primarily as a result of additions to plant and equipment. The Company's investment in plant and equipment has declined as a result of lower demand for capacity.

Cash used in financing activities

Cash used in financing activities was $538,561 and $1,398,584 for the three and six month periods ended June 30, 2016 compared to $659,905 and $1,319,775 respectively for the same period last year. Cash used in financing activities is primarily as a result of repayments of long-term debt and payments of dividends for the three and six months ended June 30, 2016 and June 30, 2015. The changes for the three and six month periods ended June 30, 2016 compared to three and six month periods ended June 30, 2015 are not significant.

Long-term debt and finance lease obligations

Our long-term debt and finance lease obligations are described in detail in Notes 14 and 15 of our Annual Audited Consolidated Financial Statements and Notes 13 and 14 of our Second Quarter 2016 Unaudited Interim Condensed 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.

Outstanding Common Share data

Set out below is our outstanding common share data as at June 30, 2016 and at June 30, 2015.

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 during the past 8 quarters, as follows:

Declaration date	Record date	Payment date	Dividend per share	Dividends paid
June 20, 2014	July 15, 2014	July 31, 2014	$ .02	$ 488,058
September 03, 2014	October 15, 2014	October 31, 2014	$ .02	$ 488,058
December 02, 2014	January 15, 2015	January 31, 2015	$ .02	$ 488,058
March 10, 2015	April 15, 2015	April 30, 2015	$ .02	$ 488,058
June 12, 2015	July 15, 2015	July 31, 2015	$ .02	$ 488,058
September 8, 2015	October 15, 2015	October 31, 2015	$ .02	$ 488,058
December 6,2015	January 15, 2016	January 31, 2016	$ .02	$ 488,058
April 1, 2016	April 15, 2016	April 30, 2016	$ .02	$ 488,058

CONTRACTUAL OBLIGATIONS

See our 2015 Annual MD&A for a summary of our material obligations under Contractual Obligations. These are also discussed in Note 18 of our 2015 Annual Audited Consolidated Financial Statements. Except where otherwise disclosed in this MD&A, there have been no material changes to our material contractual obligations.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESSES

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 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. 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

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.

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 the 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

In our 2015 Annual Audited Consolidated Financial Statements and Notes thereto, as well as in our 2015 Annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. For the three and six months ended June 30, 2015, there were no changes to the critical accounting policies and estimates from those found in our 2015 Annual MD&A except for the following:

FUTURE ACCOUNTING CHNAGES

IFRS 9

Financial Instruments ("IFRS 9") was issued and will replace IAS 39 – Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classifying and measuring financial assets and liabilities. IFRS 9, which will be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption.

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 August 24, 2016. Based on this evaluation, management has concluded that, as of June 30, 2016, our ICFR reporting is effective. There have been no changes in our ICFR during the three and six months ended June 30, 2016 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 June 30, 2016, 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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