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

FORM 10−Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2021

or

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

For the transition period from ____________ to _____________

Commission File Number: 000-55925

AERKOMM INC.
(Exact name of registrant as specified in its charter)

Nevada	**46-3424568**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

44043 Fremont Blvd., Fremont, CA 94538
(Address of principal executive offices, Zip Code)

(877) 742-3094
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for comply with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 19, 2021, there were 9,637,051 shares of the registrant's common stock issued and outstanding.

AERKOMM INC.

Quarterly Report on Form 10-Q
Period Ended September 30, 2021

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AERKOMM INC.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AERKOMM INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current Assets		
Cash	$ 98,135	$ 584,591
Short-term investment	48,085	87,154
Inventories, net	5,182,029	5,211,427
Prepaid expenses and other current assets	1,683,443	1,637,195
Total Current Assets	7,011,692	7,520,367
Long-term Investment	7,162,620	4,305,556
Property and Equipment		
Cost	2,821,302	2,806,420
Accumulated depreciation	(1,778,151)	(1,414,191)
	1,043,151	1,392,229
Prepayment for land	35,861,589	35,861,589
Prepayment for equipment	86,617	86,617
Net Property and Equipment	36,991,357	37,340,435
Other Assets		
Restricted cash	3,210,000	3,210,000
Intangible asset, net	2,021,250	2,392,500
Goodwill	1,475,334	1,475,334
Right-of-use assets, net	228,829	353,442
Deposits	117,797	119,436
Total Other Assets	7,053,210	7,550,712
Total Assets	$ 58,218,879	$ 56,717,070
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term loans	$ 1,696,627	$ 527,066
Accounts payable	1,564,627	1,874,339
Accrued expenses and other current liabilities	6,681,227	4,695,000
Prepayment from customer - current	1,231,200	-
Long-term loan – current	11,027	10,171
Lease liability – current	390,612	357,880
Total Current Liabilities	11,575,320	7,464,456
Long-term Liabilities		
Long-term bonds payable	9,361,528	9,218,094
Long-term loan – non-current	20,916	29,034
Lease liability – non-current	87,032	210,443
Prepayment from customer – non-current	762,000	762,000
Restricted stock deposit liability	1,000	1,000
Total Long-Term Liabilities	10,232,476	10,220,571
Total Liabilities	21,807,796	17,685,027
Commitments		
Stockholders' Equity		
Preferred stock, $0.001 par value, 50,000,000 shares authorized, none issued and outstanding as of September 30, 2021 and December 31, 2020	-	-
Common stock, $0.001 par value, 90,000,000 shares authorized, 9,487,889 shares (excluding 149,162 unvested restricted shares) issued and outstanding as of September 30, 2021 and December 31, 2020	9,488	9,488
Additional paid in capital	74,763,077	73,160,616
Accumulated deficits	(36,446,546)	(32,383,833)
Accumulated other comprehensive loss	(1,914,936)	(1,754,228)
Total Stockholders' Equity	36,411,083	39,032,043
Total Liabilities and Stockholders' Equity	$ 58,218,879	$ 56,717,070

See accompanying notes to the condensed consolidated financial statements.

AERKOMM INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
For the Three-Month and Nine-Month Periods ended September 30, 2021 and 2020

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Sales	$ 1,810,000	$ -	$ 1,882,000	$ -
Cost of Sales	1,807,100	-	1,850,978	-
Gross Profit	2,900	-	31,022	-
Operating Expenses	1,676,214	1,556,729	6,843,728	6,199,323
Loss from Operations	(1,673,314)	(1,556,729)	(6,812,706)	(6,199,323)
Non-Operating Income (Loss)				
Unrealized investment income (loss)	3,375,049	(8,741)	2,731,569	(68,911)
Foreign currency exchange gain	27,402	335,831	169,316	551,591
Other loss, net	(27,835)	(1,140,312)	(147,635)	(1,137,745)
Net Non-Operating Income (Loss)	3,374,616	(813,222)	2,753,250	(655,065)
Income (Loss) before Income Taxes	1,701,302	(2,369,951)	(4,059,456)	(6,854,388)
Income Tax Expense (Benefit)	(12)	12	3,257	3,275
Net Income (Loss)	1,701,314	(2,369,963)	(4,062,713)	(6,857,663)
Other Comprehensive Loss				
Change in foreign currency translation adjustments	(30,294)	(367,280)	(160,708)	(595,097)
Total Comprehensive Income (Loss)	$ 1,671,020	$ (2,737,243)	$ (4,223,421)	$ (7,452,760)
Net Loss Per Common Share:				
Basic	$ 0.1765	$ (0.2484)	$ (0.4216)	$ (0.7188)
Diluted	$ 0.1765	$ (0.2484)	$ (0.4216)	$ (0.7188)
Weighted Average Shares Outstanding - Basic	9,637,051	9,540,891	9,637,051	9,540,891
Weighted Average Shares Outstanding - Diluted	9,637,051	9,540,891	9,637,051	9,540,891

See accompanying notes to the condensed consolidated financial statements.

AERKOMM INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity

For the Three-Month and Nine-Month Periods ended September 30, 2021 and 2020

	Common Stock		Additional Paid in Capital	Accumulated Deficits	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 1, 2020	9,391,729	$ 9,392	$ 69,560,529	$ (23,271,687)	$ (482,639)	$ 45,815,595
Stock compensation expense	-	-	464,827	-	-	464,827
Revaluation of stock warrant	-	-	(66,200)	-	-	(66,200)
Other comprehensive income	-	-	-	-	343,775	343,775
Net loss for the period	-	-	-	(2,366,494)	-	(2,366,494)
Balance as of March 31, 2020 (Unaudited)	9,391,729	9,392	69,959,156	(25,638,181)	(138,864)	44,191,503
Stock compensation expense	-	-	448,987	-	-	448,987
Revaluation of stock warrant	-	-	455,500	-	-	455,500
Other comprehensive loss	-	-	-	-	(571,592)	(571,592)
Net loss for the period	-	-	-	(2,121,206)	-	(2,121,206)
Balance as of June 30, 2020 (Unaudited)	9,391,729	9,392	70,863,643	(27,759,387)	(710,456)	42,403,192
Stock compensation expense	-	-	282,572	-	-	282,572
Revaluation of stock warrant	-	-	(126,700)	-	-	(126,700)
Other comprehensive loss	-	-	-	-	(367,280)	(367,280)
Net loss for the period	-	-	-	(2,369,963)	-	(2,369,963)
Balance as of September 30, 2020 (unaudited)	9,391,729	$ 9,392	$ 71,019,515	$ (30,129,350)	$ (1,077,736)	$ 39,821,821

	Common Stock		Additional Paid in Capital	Accumulated Deficits	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 1, 2021	9,487,889	$ 9,488	$ 73,160,616	$ (32,383,833)	$ (1,754,228)	$ 39,032,043
Stock compensation expense	-	-	1,680,365	-	-	1,680,365
Revaluation of stock warrant	-	-	(355,600)	-	-	(355,600)
Other comprehensive income	-	-	-	-	393,767	393,767
Net loss for the period	-	-	-	(4,228,126)	-	(4,228,126)
Balance as of March 31, 2021 (Unaudited)	9,487,889	$ 9,488	$ 74,485,381	$ (36,611,959)	$ (1,360,461)	$ 36,522,449
Stock compensation expense	-	-	179,331	-	-	179,331
Revaluation of stock warrant	-	-	(42,000)	-	-	(42,000)
Other comprehensive loss	-	-	-	-	(524,181)	(524,181)
Net loss for the period	-	-	-	(1,535,901)	-	(1,535,901)
Balance as of June 30, 2021 (Unaudited)	9,487,889	$ 9,488	$ 74,622,712	$ (38,147,860)	$ (1,884,642)	$ 34,599,698
Stock compensation expense	-	-	161,465	-	-	161,465
Revaluation of stock warrant	-	-	(21,100)	-	-	(21,100)
Other comprehensive loss	-	-	-	-	(30,294)	(30,294)
Net income for the period	-	-	-	1,701,314	-	1,701,314
Balance as of September 30, 2021 (Unaudited)	9,487,889	$ 9,488	$ 74,763,077	$ (36,446,546)	$ (1,914,936)	$ 36,411,083

See accompanying notes to the condensed consolidated financial statements.

AERKOMM INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the Nine-Month Periods ended September 30, 2021 and 2020

	Nine-Month Period Ended September 30, 2021 (Unaudited)	Nine-Month Period Ended September 30, 2020 (Unaudited)
Cash Flows from Operating Activities		
Net loss	$ (4,062,713)	$ (6,857,663)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	773,065	780,971
Stock-based compensation	2,021,161	1,196,386
Consulting expense adjustment from change in fair value of warrants	(418,700)	262,600
Unrealized losses (gain) on trading security	(2,731,569)	68,911
Amortization of bonds issuance costs	143,434	-
Gain on disposal of property and equipment	(14,106)	-
Changes in operating assets and liabilities:		
Accounts receivable	-	451,130
Inventories	50,332	(1,992,153)
Prepaid expenses and other current assets	(46,248)	1,292,279
Deposits	1,639	(3,115)
Accounts payable	(309,712)	961,610
Accrued expenses and other current liabilities	1,903,246	2,143,258
Prepayment from customer	1,231,200	-
Operating lease liability	43,464	179,372
Net Cash Used for Operating Activities	(1,415,507)	(1,516,414)
Cash Flows from Investing Activities		
Proceeds from disposal of property and equipment	26,063	-
Purchase of trading security	(2,053)	(184,150)
Purchase of property and equipment	(85,628)	(28,924)
Purchase of long-term investment	(1,392)	-
Net Cash Used for Investing Activities	(63,010)	(213,074)
Cash Flows from Financing Activities		
Proceeds from short-term bank loan	-	163,200
Proceeds from short-term loans	1,169,561	1,314,162
Payment on long-term loan	(7,262)	(5,117)
Payment on finance lease liability	(9,530)	(8,955)
Net Cash Provided by Financing Activities	1,152,769	1,463,290
Net Decrease in Cash and Restricted Cash	(325,748)	(266,198)
Cash and Restricted Cash, Beginning of Period	3,794,591	976,829
Foreign Currency Translation Effect on Cash	(160,708)	(595,097)
Cash and Restricted Cash, End of Period	$ 3,308,135	$ 115,534
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$ 3,257	$ 3,275
Cash paid during the period for interest	$ 21,101	$ 4,593
Cash and Restricted Cash		
Cash	$ 98,135	$ 74,184
Restricted Cash	3,210,000	41,350
Total	$ 3,308,135	$ 115,534

See accompanying notes to the condensed consolidated financial statements.

NOTE 1 – Organization

Aerkomm Inc. (formerly Maple Tree Kids Inc.) ("Aerkomm") was incorporated on August 14, 2013 in the State of Nevada. Aerkomm was a retail distribution company selling all of its products over the internet in the United States, operating in the infant and toddler products business market.

On December 28, 2016, Aircom Pacific Inc. ("Aircom"), incorporated on September 29, 2014 under the laws of the State of California, purchased approximately 86.3% of Aerkomm's issued and outstanding common stock as of the closing date of purchase. As a result of the transaction, Aircom became the controlling shareholder of Aerkomm.

Aerkomm's common stock is quoted for trading on the OTC Markets Group Inc. OTCQX Best Market under the symbol "AKOM." On July 17, 2019, the French *Autorité des Marchés Financiers* (the "AMF") granted visa number 19-372 on the prospectus relating to the admission of Aerkomm's common stock to list and trade on the Professional Segment of the regulated market of Euronext Paris ("Euronext Paris"). Aerkomm's common stock began trading on Euronext Paris on July 23, 2019 under the symbol "AKOM" and is denominated in Euros on Euronext Paris. This listing did not alter the Aerkomm's share count, capital structure, or current common stock listing on the OTCQX, the Company's primary trading market for its common stock.

On February 13, 2017, Aerkomm entered into a share exchange agreement ("Exchange Agreement") with Aircom and its shareholders, pursuant to which Aerkomm acquired 100% of the issued and outstanding capital stock of Aircom in exchange for approximately 99.7% of the issued and outstanding capital stock of Aerkomm. As a result of the share exchange, Aircom became a wholly-owned subsidiary of Aerkomm, and the former shareholders of Aircom became the holders of approximately 99.7% of Aerkomm's issued and outstanding capital stock.

On December 31, 2014, Aircom acquired a newly incorporated subsidiary, Aircom Pacific Ltd. ("Aircom Seychelles"), a corporation formed under the laws of the Republic of Seychelles. Aircom Seychelles was formed to facilitate Aircom's global corporate structure for both business operations and tax planning. Presently, Aircom Seychelles has no operations. Aircom is working with corporate and tax advisers in finalizing its global corporate structure and has not yet concluded its final plan.

On October 17, 2016, Aircom acquired a wholly owned subsidiary, Aircom Pacific Inc. Limited ("Aircom HK"), a corporation formed under the laws of Hong Kong. The purpose of Aircom HK is to conduct Aircom's business and operations in Hong Kong. Presently, its primary function is business development, both with respect to airlines as well as content providers and advertisement partners based in Hong Kong. Aircom HK is also actively seeking strategic partnerships whom Aircom may leverage in order to provide more and better services to its customers. Aircom also plans to provide local supports to Hong Kong-based airlines via Aircom HK and teleports located in Hong Kong.

On December 15, 2016, Aircom acquired a wholly owned subsidiary, Aircom Japan, Inc. ("Aircom Japan"), a corporation formed under the laws of Japan. The purpose of Aircom Japan is to conduct business development and operations located within Japan. Aircom Japan is in the process of applying for, and will be the holder of, Satellite Communication Blanket License in Japan, which is necessary for Aircom to provide services within Japan. Aircom Japan will also provide local supports to airlines operating within the territory of Japan.

Aircom Telecom LLC ("Aircom Taiwan"), which became a wholly owned subsidiary of Aircom in December 2017, was organized under the laws of Taiwan on June 29, 2016. Aircom Taiwan is responsible for Aircom's business development efforts and general operations within Taiwan.

On June 13, 2018, Aerkomm established a new wholly owned subsidiary, Aerkomm Taiwan Inc. ("Aerkomm Taiwan"), a corporation formed under the laws of Taiwan. The purpose of Aerkomm Taiwan is to purchase a parcel of land and raise sufficient fund for ground station building and operate the ground station for data processing (although that cannot be guaranteed).

On November 15, 2018, Aircom Taiwan acquired a wholly owned subsidiary, Beijing Yatai Communication Co., Ltd. ("Beijing Yatai"), a corporation formed under the laws of China. The purpose of Beijing Yatai is to conduct Aircom's business and operations in China. Presently, its primary function is business development, both with respect to airlines as well as content providers and advertisement partners based in China as most business conducted in China requires a local registered company. Beijing Yatai is also actively seeking strategic partnerships whom Aircom may leverage in order to provide more and better services to its customers. Aircom also plans to provide local supports to China-based airlines via Beijing Yatai and teleports located in China. On November 6, 2020, 100% ownership of Beijing Yatai was transferred from Aircom Taiwan to Aerkomm Taiwan.

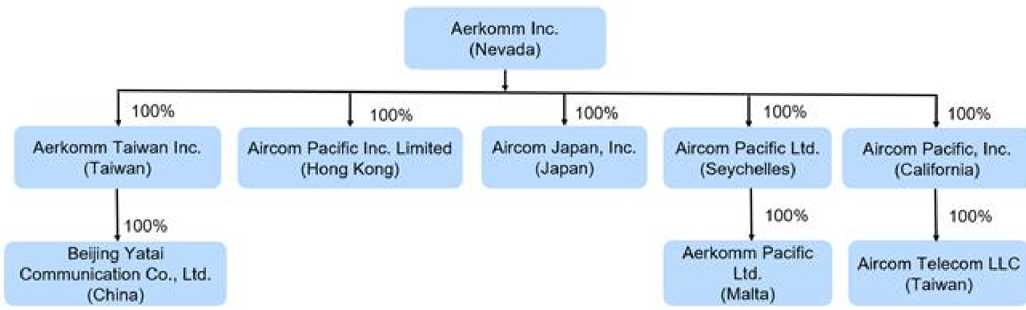
On October 31, 2019, Aircom Seychelles established a new a wholly owned subsidiary, Aerkomm Pacific Limited ("Aerkomm Malta"), a corporation formed under the laws of Malta. The purpose of Aerkomm Malta is to conduct Aircom's business and operations and to engage with suppliers and potential airlines customers in the European Union.

Aerkomm and its subsidiaries (the "Company") are full-service, development stage providers of in-flight entertainment and connectivity solutions with their initial market in the Asian Pacific region.

NOTE 1 – Organization – Continued

On October 22, 2021, the Company and its wholly owned operating subsidiary, Aircom, entered into a restructuring agreement pursuant to which all of the subsidiaries of Aircom would be transferred to the Company while the Company would transfer its direct subsidiary, Aerkomm Taiwan Inc., to Aircom. This agreement was subsequently amended such that only three subsidiaries of Aircom, Aircom HK, Aircom Japan and Aircom Seychelles, were transferred to the Company.

The Company's organization structure after this re-organization is as follows:



The Company has not generated significant revenues, excluding non-recurring revenues, and will incur additional expenses as a result of being a public reporting company. Currently, the Company has taken measures that management believes will improve its financial position by financing activities, including through ongoing public offerings, short-term borrowings and equity contributions. Two of the Company's current shareholders (the "Lenders") each committed to provide to the Company a $10 million bridge loan (together, the "Loans") for an aggregate principal amount of $20 million, to bridge the Company's cash flow needs prior to its obtaining a mortgage loan to be secured by a parcel of land (the "Land") the Company purchased in Taiwan. The Lenders also agreed to an earlier closing of up to 25% of the principal amounts of the Loans upon the Company's request prior to the time that title to the Land is vested in the Company's subsidiary, Aerkomm Taiwan, to pay the outstanding payable to the Company's vendors. As of November 19, 2021, the Company borrowed approximately $0.40 million (unaudited) (NT$11,150,000) (unaudited) under the Loans from one of the Lenders.

On July 29, 2020, the Company filed an amendment to the Registration Statement on Form S-1, originally filed on April 30, 2020, with the Securities and Exchange Commission, or the SEC, pursuant to Section 5 of the Securities Act of 1933 to issue and sell up to 1,951,219 shares (approximately $47,276,000) of the Company's common stock, at a per share price of €20.50 (approximately $24.23). The Form S-1 is subsequently amended on July 29, 2020, October 21, 2020 and November 5, 2020, and was declared effective on November 6, 2020. As of December 31, 2020, the Company closed a public offering with net proceeds of $1,667,080.

With the $20 million in Loans committed by the Lenders and the remaining amount of €38 million (not including the 15% over-subscription) to be raised from the effective S-1 and future fund raising, the Company believes its working capital will be adequate to sustain its operations for the next twelve months. However, there is no assurance that management will be successful in furthering the Company's business plan, especially if the Company is not able to raise additional capital in its registered public offering or from other sources. There are a number of additional factors that could potentially arise that could result in shortfalls in the Company's business plan, such as general worldwide economic conditions, competitive pricing in the connectivity industry, the continuing impact of the COVID 19 pandemic, the Company's operating results continuing to deteriorate and the Company's banks and shareholders not being able to provide continued financial support.

NOTE 2 – Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying condensed consolidated balance sheet as of September 30, 2021, and the condensed consolidated statements of operations and comprehensive loss for the three months and nine months, and changes in stockholders' equity and cash flows for the nine months ended September 30, 2021 and 2020 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2021 and the results of operations and cash flows for the nine months ended September 30, 2021 and 2020. The financial data and other information disclosed in these notes to the condensed consolidated financial statements related to these three-month and nine-month periods are unaudited. The results of operations for the nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any other interim period or other future year.

Principle of Consolidation

Aerkomm consolidates the accounts of its subsidiaries, Aircom, Aircom Seychelles, Aircom HK, Aircom Japan, Aircom Taiwan, Aerkomm Taiwan, Beijing Yatai and Aerkomm Malta. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash in banks. As of September 30, 2021 and December 31, 2020, the total balance of cash in bank was fully insured by the Federal Deposit Insurance Corporation (FDIC). The balance of cash deposited in foreign financial institutions exceeding the amount insured by local insurance is approximately $3,111,000 and $3,514,000 as of September 30, 2021 and December 31, 2020, respectively.

The Company performs ongoing credit evaluation of its customers and requires no collateral. An allowance for doubtful accounts is provided based on a review of the collectability of accounts receivable. The Company determines the amount of allowance for doubtful accounts by examining its historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies. Actual credit losses may differ from management's estimates.

Short-term investment

The Company's short-term investment securities are classified as trading security. The securities are stated at fair value within current assets on the Company's condensed consolidated balance sheets. Fair value is calculated based on publicly available market information or other estimates determined by the Company. Changes in fair value are recorded in current income.

Inventories

Inventories are recorded at the lower of weighted-average cost or net realizable value. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investment

Holdings of marketable equity securities with less than 20% of ownership of the investee are accounted for using cost method. Marketable equity securities include equity securities which are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported under non-operating income in the Company's statement of income. The cost of the securities sold is based on the weighted average cost method. Stock dividends from the investment are included to recalculate the cost basis of the investment based on the total number of shares.

Holdings of more than 20% of non-marketable equity securities are accounted for using the equity method. If there is decrease in level of ownership or degree of influence, the investment may no longer qualify for the equity method.

Investments are considered to be impaired when a decline in fair value is judged to be other than temporary. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, as well as its intent and ability to hold the investment, for recording an impairment loss.

NOTE 2 – Summary of Significant Accounting Policies – Continued

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. When value impairment is determined, the related assets are stated at the lower of fair value or book value. Significant additions, renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed by using the straight-line and double declining methods over the following estimated service lives: ground station equipment – 5 years, computer equipment - 3 to 5 years, furniture and fixtures - 5 years, satellite equipment – 5 years, vehicles – 5 years and lease improvement – 5 years.

Upon sale or disposal of property and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to income in the period of sale or disposal.

The Company reviews the carrying amount of property and equipment for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. It determined that there was no impairment loss for the nine-month periods ended September 30, 2021 and 2020.

Right-of-Use Asset and Lease Liability

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842) (“ASU 2016-02”), which modifies lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases and finance leases under previous accounting standards and disclosing key information about leasing arrangements.

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases and finance leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments by discount rates. The Company’s lease discount rates are generally based on its incremental borrowing rate, as the discount rates implicit in the Company’s leases is readily determinable. Operating leases are included in operating lease right-of-use assets and lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment and lease liability in our consolidated balance sheets. Lease expense for operating expense payments is recognized on a straight-line basis over the lease term. Interest and amortization expenses are recognized for finance leases on a straight-line basis over the lease term.

For the leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The Company adopted ASU 2016-02 effective January 1, 2019.

Goodwill and Purchased Intangible Assets

The Company’s goodwill represents the amount by which the total purchase price paid exceeded the estimated fair value of net assets acquired from acquisition of subsidiaries. The Company tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment.

Purchased intangible assets with finite life are amortized on the straight-line basis over the estimated useful lives of respective assets. Purchased intangible assets with indefinite life are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Purchased intangible asset consists of satellite system software and is amortized over 10 years.

Fair Value of Financial Instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

NOTE 2 – Summary of Significant Accounting Policies – Continued

Fair Value of Financial Instruments-Continued

Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 - Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

The carrying amounts of the Company's cash and restricted cash, accounts payable, short-term loan and other payable approximated their fair value due to the short-term nature of these financial instruments. The Company's short-term investment and long-term investment are classified within Level 1 of the fair value hierarchy on September 30, 2021. The Company's long-term bonds payable, long-term loan and lease payable approximated the carrying amount as their interest rates are considered as approximate to the current rate for comparable loans and leases, respectively. There were no outstanding derivative financial instruments as of September 30, 2021.

Revenue Recognition

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs upon the transfer of control in accordance with the contractual terms and conditions of the sale. The Company's revenue for the nine months ended September 30, 2021 composed of the sales of ground antenna units to a related party and sales of network hardware to a non-related party. The majority of the Company's revenue is recognized at a point in time when product is shipped or service is provided to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods, which includes estimates for variable consideration. The Company adopted the provisions of ASU 2014-09 Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the new revenue standard. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenue when (or as) the Company satisfies a performance obligation.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Adjustments to prior period's income tax liabilities are added to or deducted from the current period's tax provision.

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal, state and foreign jurisdictions where it conducts business. It is not subject to income tax examinations by US federal, state and local tax authorities for years before 2017. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its consolidated financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the consolidated statement of operations.

Foreign Currency Transactions

Foreign currency transactions are recorded in U.S. dollars at the exchange rates in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each period, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in income for the period.

NOTE 2 – Summary of Significant Accounting Policies – Continued

Translation Adjustments

If a foreign subsidiary's functional currency is the local currency, translation adjustments will result from the process of translating the subsidiary's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported under other comprehensive income (loss) as a separate component of stockholders' equity.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include stock warrants and outstanding stock options, shares to be purchased by employees under the Company's employee stock purchase plan.

Subsequent Events

The Company has evaluated events and transactions after the reported period up to November 19, 2021, the date on which these condensed consolidated financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2021 have been included in these condensed consolidated financial statements.

NOTE 3 – Recent Accounting Pronouncements

Simplifying the Accounting for Debt with Conversion and Other Options.

In June 2020, the FASB issued ASU 2020-06 to simplify the accounting in ASC 470, Debt with Conversion and Other Options and ASC 815, Contracts in Equity's Own Entity. The guidance simplifies the current guidance for convertible instruments and the derivatives scope exception for contracts in an entity's own equity. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. This ASU will be effective beginning in the first quarter of the Company's fiscal year 2022. Early adoption is permitted. The amendments in this update must be applied on either full retrospective basis or modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements and related disclosures, as well as the timing of adoption.

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which modifies the measurement of expected credit losses of certain financial instruments. In February 2020, the FASB issued ASU 2020-02 and delayed the effective date of ASU 2016-13 until fiscal year beginning after December 15, 2022. The Company is currently evaluating the impact of adopting ASU 2016-13 on its consolidated financial statements.

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12 to simplify the accounting in ASC 740, "Income Taxes." This guidance removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU will be effective beginning in the first quarter of the Company's fiscal year 2021. Early adoption is permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The adoption of ASU 2019-12 does not have a significant impact on the Company's consolidated financial statements as of and for the nine-month period ended September 30, 2021.

NOTE 3 – Recent Accounting Pronouncements – Continued

Earnings Per Share

In April 2021, the FASB issued ASU 2021-04, which included Topic 260 "Earnings Per Share". This guidance clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the FASB Codification. The ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2021-04 on its consolidated financial statements.

NOTE 4 – Short-term Investment

On September 9, 2019, the Company entered into a liquidity agreement with a security company ("the Liquidity Provider") in France, which is consistent with customary practice in the French securities market. The liquidity agreement complies with applicable laws and regulations in France and authorizes the Liquidity Provider to carry out market purchases and sales of shares of the Company's common stock on the Euronext Paris market. To enable the Liquidity Provider to carry out the interventions provided for in the contract, the Company contributed approximately $225,500 (200,000 euros) into the account. The transaction was initiated in the beginning of 2020, and the Company pays annual compensation of 20,000 euros to the Liquidity Provider in advance by semi-annual installments at the beginning of each semi-annual period under the agreement. The liquidity agreement had an initial term of one year and is being renewed automatically unless otherwise terminated by either party. As of September 30, 2021, the Company had purchased 12,074 shares (unaudited) of its common stock with the fair value of $48,085 (unaudited). The securities were recorded as short-term investment with an accumulated unrealized loss of $181,513 (unaudited).

NOTE 5 – Inventories

As of September 30, 2021 and December 31, 2020, inventories consisted of the following:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Satellite equipment for sale under construction	$ 4,646,724	$ 4,669,297
Supplies	5,177	5,317
	4,651,901	4,674,614
Allowance for inventory loss	(5,177)	(5,317)
Net	4,646,724	4,669,297
Prepayment for inventory	535,305	542,130
Total	$ 5,182,029	$ 5,211,427

NOTE 6 – Property and Equipment

As of September 30, 2021 and December 31, 2020, the balances of property and equipment were as follows:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Ground station equipment	$ 1,854,027	$ 1,876,458
Computer software and equipment	339,570	335,708
Satellite equipment	275,410	275,410
Vehicle	232,192	198,741
Leasehold improvement	83,721	83,721
Furniture and fixture	36,382	36,382
	2,821,302	2,806,420
Accumulated depreciation	(1,778,151)	(1,414,191)
Net	1,043,151	1,392,229
Prepayments - land	35,861,589	35,861,589
Prepaid equipment	86,617	86,617
Net	$ 36,991,357	$ 37,340,435

NOTE 6 – Property and Equipment – Continued

On July 10, 2018, the Company and Aerkomm Taiwan entered into a real estate sale contract (the "Land Purchase Contract") with Tsai Ming-Yin (the "Seller") with respect to the acquisition by Aerkomm Taiwan of a parcel of land located in Taiwan. The land is expected to be used to build a satellite ground station and data center. Pursuant to the terms of the Land Purchase Contract, and subsequent amendments on July 30, 2018, September 4, 2018, November 2, 2018 and January 3, 2019, the Company paid to the seller in installments refundable prepayments of $34,474,462 in total. As of September 30, 2021 and December 31, 2020, the estimated commission payable for the land purchase in the amount of $1,387,127 was recorded to the cost of land and the payment to be paid after the full payment of the Land acquisition price no later than December 31, 2021. According to the amended Land Purchase Contract dated on November 10, 2020, the transaction may be terminated at any time by both the buyer and the seller and agreed by all parties if the Company is unable to obtain the qualified satellite license issued by Taiwan authority before July 31, 2021. As of November 19, 2021, the license applications are still in progress.

Depreciation expense was $133,331 (unaudited) and $136,095 (unaudited) for the three-month periods ended September 30, 2021 and 2020, respectively, and $401,815 (unaudited) and $409,721 (unaudited) for the nine-month periods ended September 30, 2021 and 2020, respectively.

NOTE 7 – Long-term Investment

On December 3, 2020, the Company entered into three separate stock purchase agreements (or "Stock Purchase Agreement") from three individuals to purchase an aggregate of 6,000,000 restricted shares of one of the Company's related parties, YuanJiu Inc. ("YuanJiu") in a total amount of NT$141,175,000. YuanJiu is a listed company in Taiwan Stock Exchange and the stock title transfer is subject to certain restrictions. Albert Hsu, a member of the Company's board of directors, is the Chairman of YuanJiu. On July 19, 2021, YuanJiu Inc. changed its name to "EJECTT INC" ("Ejectt").

In the Stock Purchase Agreement, there was a restriction on the stock title transfer until May 13, 2021. On August 12, 2021, this restriction on the stock transfer was released and the stock title transfer process has been completed. On March 24, 2021, the Company purchased additional 2,000 shares of Ejectt's common stock for a total amount of $1,392 (unaudited) from a related party. As of September 30, 2021 and December 31, 2020, this investment totaled approximately a 10% ownership of Ejectt. The Company intends to hold this investment for long-term purposes.

As of September 30, 2021 and December 31, 2020, the fair value of the investment in Ejectt was as follows:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Investment cost	$ 5,072,332	$ 5,027,600
Appreciation in market value (Allowance for value decline)	2,051,904	(722,044)
Net	$ 7,124,236	$ 4,305,556

On August 20, 2021, the Company entered into Stock Subscription Agreement (or "Subscription Agreement") with tz-Comm Inc. (or "tz-Comm"), a Nevada company, to purchase 40% of tz-Comm's ownership with a cash payment of $40,000 (unaudited). The purpose of the Company's investment in tz-Comm is to collaborate with the other shareholders in developing future business opportunities in the U.S. and Asia. The Company accounts for its investment in tz-Comm by the equity method of accounting under which the Company's share of the net income of tz-Comm is reported in the Company's income statement. As of September 30, 2021, the balance of net investment in tz-Comm was $38,384 (unaudited).

NOTE 8 – Intangible Asset, Net

As of September 30, 2021 and December 31, 2020, the cost and accumulated amortization for intangible asset were as follows:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Satellite system software	$ 4,950,000	$ 4,950,000
Accumulated amortization	(2,928,750)	(2,557,500)
Net	$ 2,021,250	$ 2,392,500

Amortization expense was $123,750 (unaudited) and $123,750 (unaudited) for the three-month periods ended September 30, 2021 and 2020, respectively, and $371,250 (unaudited) and $371,250 (unaudited) for the nine-month periods ended September 30, 2021 and 2020, respectively.

NOTE 9 – Operating and Finance Leases

A. Lease term and discount rate:

The weighted-average remaining lease term and discount rate related to the leases were as follows:

	2021	2020
Weighted-average remaining lease term	(Unaudited)	
Operating lease	0.83 Year	2.01 Years
Finance lease	3.1 Years	3.84 Years
Weighted-average discount rate		
Operating lease	6.00%	6.00%
Finance lease	3.82%	3.82%

B. The balances for the operating and finance leases are presented as follows within the condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020:

Operating Leases

	September 30, 2021	December 31, 2020
	(Unaudited)	
Right-of-use assets	$ 228,829	$ 353,442
Lease liability – current	$ 379,186	$ 346,870
Lease liability – non-current	58,187	173,308
Total operating lease liabilities	$ 437,373	$ 520,178

Finance Leases

	September 30, 2021	December 31, 2020
	(Unaudited)	
Property and equipment, at cost	$ 56,770	$ 56,770
Accumulated depreciation	(22,479)	(13,098)
Property and equipment, net	$ 34,291	$ 43,672
Lease liability - current	$ 11,427	$ 11,010
Lease liability – non-current	28,845	37,135
Total finance lease liabilities	$ 40,272	$ 48,145

The components of lease expense are as follows within the condensed consolidated statements of operations and comprehensive loss for the three-month and nine-month periods ended September 30, 2021 and 2020:

Operating Leases

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Lease expense	$ 54,399	$ 126,396	$ 166,989	$ 346,741
Sublease rental income	(3,643)	(2,827)	(9,206)	(8,372)
Net lease expense	$ 50,756	$ 123,569	$ 157,783	$ 338,369

NOTE 9 – Operating and Finance Leases – Continued

Finance Leases

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortization of right-of-use asset	$ 3,049	$ 2,897	$ 9,106	$ 8,829
Interest on lease liabilities	401	481	1,281	1,493
Total finance lease cost	$ 3,450	$ 3,378	$ 10,387	$ 10,322

Supplemental cash flow information related to leases for the nine-month periods ended September 30, 2021 and 2020 is as follows:

	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 87,994	$ 151,360
Operating cash outflows from finance lease	$ 8,249	$ 7,462
Financing cash outflows from finance lease	$ 1,281	$ 1,493
Leased assets obtained in exchange for lease liabilities:		
Operating leases	$ 28,197	$ 453,049

Maturity of lease liabilities:

Operating Leases

	Related Party	Others	Total
	(Unaudited)	(Unaudited)	(Unaudited)
October 1, 2021 – September 30, 2022	$ 55,620	$ 331,745	$ 387,365
October 1, 2022 – September 30, 2023	-	59,504	59,504
Total lease payments	55,620	391,249	446,869
Less: Imputed interest	(880)	(8,616)	(9,496)
Present value of lease liabilities	54,740	382,633	437,373
Current portion	(54,740)	(324,446)	(379,186)
Non-current portion	$ -	$ 58,187	$ 58,187

Finance Leases

	Total
	(Unaudited)
October 1, 2021 – September 30, 2022	$ 12,767
October 1, 2022 – September 30, 2023	12,767
October 1, 2023 – September 30, 2024	12,767
October 1, 2024 – September 30, 2025	4,656
Total lease payments	42,957
Less: Imputed interest	(2,685)
Present value of lease liabilities	40,272
Current portion	(11,427)
Non-current portion	$ 28,845

NOTE 10 – Short-term Loans

In 2020, the Company entered into a loan agreement in the amount of $423,225 with the Company's insurance service provider in order to pay the Company's insurance premium. The loan matured on October 25, 2021 with an annual interest rate of 3.3%. Under this loan agreement, the Company is required to make the installment payment monthly. The installment liability as of September 30, 2021 was $28,164.

Additionally, in June 2021, the Company entered into a loan agreement in the amount of $1,433,177 (NT $40,000,000) (unaudited) with a non-related party. This loan, which carries no interest, would originally mature on September 16, 2021. This loan is collateralized with 4,000,000 shares of Ejectt stocks that the Company currently owns. As of September 30, 2021, the outstanding loan balance was $1,436,782 (NT$40,000,000) (unaudited). As of November 19, 2021, the two parties signed the amendment agreement to extend the loan repayment date to December 16, 2021.

NOTE 11 – Long-term Loan

The Company has a car loan credit line of NT$1,500,000 (approximately US$48,371), which matures on May 21, 2024, from a Taiwan financing company with annual interest rate of 9.7%. The installment payment plan is 60 months to pay off the balance on the 21st of each month. Future installment payments as of September 30, 2021 are as follows:

Twelve months ending September 30,	(Unaudited)
2022	$ 13,642
2023	13,642
2024	9,095
Total installment payments	36,379
Less: Imputed interest	(4,436)
Present value of long-term loan	31,943
Current portion	(11,027)
Non-current portion	$ 20,916

NOTE 12 – Long-term Bonds Payable and Restricted Cash

On December 3, 2020, the Company closed a private placement offering consisting of US$10,000,000 in aggregate principal amount of its Credit Enhanced Zero Coupon Convertible Bonds (the "Zero Coupon Bonds") and US$200,000 in aggregate principal amount of its 7.5% convertible bonds (the "Coupon Bonds"), both due on December 2, 2025 (collectively the "Bonds"). Unless previously redeemed, converted or repurchased and cancelled, the Zero-Coupon Bonds will be redeemed on December 2, 2025 at 105.11% of their principal amount and the Coupon Bonds will be redeemed on December 2, 2025 at 100% of their principal amount plus any accrued and unpaid interest. The Coupon Bonds will bear interest from and including December 2, 2020 at the rate of 7.5% per annum. Interest on the Coupon Bonds is payable semi-annually in arrears on June 1 and December 1 each year, commencing on June 1, 2021.

The Company has the option to redeem the Bonds at a redemption amount equal to the Early Redemption Amount, as defined in the Offering Memorandum, at any time on or after December 2, 2023 and prior to the Maturity Date, if the Closing Price of the Company's Common Stock listed on the Euronext Paris for 20 trading days in any period of 30 consecutive trading days, the last day of which occurs not more than fifteen trading days prior to the date on which notice of such redemption is given, is greater than 130% of the Conversion Price on each applicable trading day or (ii) in whole or in part of the Bonds on the second anniversary of the issue date or (iii) where 90% or more in principal amount of the Bonds issued have been redeemed, converted or repurchased and cancelled.

Unless previously redeemed, converted or repurchased and cancelled, the Bonds may be converted at any time on or after December 3, 2020 up to November 20, 2025 into shares of Common Stock of the Company with a par value of $0.001 each. The initial conversion price for the Bonds is $13.30 per share and is subject to adjustment in specified circumstances.

Holders of the Bonds may also require the Company to repurchase all or part of the Bonds on the third anniversary of the Issue Date, at the Early Redemption Amount. Unless the Bonds have been previously redeemed, converted or repurchased and cancelled, Holders of the Bonds will also have the right to require the Company to repurchase the Bonds for cash at the Early Redemption Amount if an event of delisting or a change of control occurs.

NOTE 12 – Long-term Bonds Payable and Restricted Cash – Continued

Pursuant to the agreements of Bonds, Bank of Panhsin Co., Ltd. (the "BG Bank") committed to issue a bank guarantee for the benefit of the holders of the Bonds. The Bank Guarantee is intended to provide a source of funds for the principal, premium, interest (if any) and any other payment obligations of the Company which shall include the default interest under the Bonds upon the Company's failure to pay amounts pursuant to the Indenture or upon the Bonds being declared due and payable on the occurrence of an Event of Default pursuant to this Indenture. In order to obtain the guarantee from BG Bank, the Company entered into a line of credit in the amount of $10,700,000 with BG Bank on December 1, 2020. The line of credit will be expired on December 2, 2025. The annual fee is based on 1% of the line of credit amount and due quarterly. The line of credit is guaranteed by one of the Company's shareholders with his personal property, and the Company's time deposit of $3,210,000 (the "Deposit") at BG Bank is pledged as collateral as of September 30, 2021 and December 31, 2020, and the Deposit was recorded as restricted cash.

As of September 30, 2021 and December 31, 2020, the long-term bonds payable consisted of the following:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Credit Enhanced Zero Coupon Convertible Bonds	$ 10,000,000	$ 10,000,000
Coupon Bonds	200,000	200,000
	10,200,000	10,200,000
Unamortized loan fee	(838,472)	(981,906)
Net	$ 9,361,528	$ 9,218,094

NOTE 13 – Prepayment from Customer

On March 9, 2015, the Company entered into a 10-year purchase agreement with Klingon Aerospace, Inc. ("Klingon"), which was formerly named as Luxe Electronic Co., Ltd. In accordance with the terms of this agreement, Klingon agreed to purchase from the Company an initial order of onboard equipment comprising an onboard system for a purchase price of $909,000, with payments to be made in accordance with a specific milestones schedule. As of September 30, 2021 and December 31, 2020, the Company received $762,000 from Klingon in milestone payments towards the equipment purchase price. As of September 30, 2021, the project is still ongoing.

NOTE 14 – Income Taxes

Income tax expense (benefit) for the three-month and nine-month periods ended September 30, 2021 and 2020 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current:				
Federal	$ -	$ -	$ -	$ -
State	-	-	1,600	1,600
Foreign	(12)	12	1,657	1,675
Total	$ (12)	$ 12	$ 3,257	$ 3,275

NOTE 14 – Income Taxes – Continued

The following table presents a reconciliation of the Company's income tax at statutory tax rate and income tax at effective tax rate for the three-month and nine-month periods ended September 30, 2021 and 2020.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax expense (benefit) at statutory rate	$ 991,321	$ (240,895)	$ (432,753)	$ (1,244,715)
Foreign investment losses (gains)	(1,329,427)	(8,487)	(886,390)	89,803
Stock-based compensation expense	33,900	59,300	424,400	251,200
Amortization expense	21,740	(22,013)	67,795	3,320
Unrealized exchange losses (gains)	(4,537)	(76,526)	196,359	(104,720)
Accrued payroll	15,300	98,900	155,700	174,800
Others	9,288	6,212	42,857	80,775
Valuation allowance	262,403	183,521	435,289	752,812
Tax expense (benefit) at effective tax rate	$ (12)	$ 12	$ 3,257	$ 3,275

Deferred tax assets (liabilities) as of September 30, 2021 and December 31, 2020 consist approximately of:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Net operating loss carryforwards (NOLs)	$ 8,363,000	$ 8,018,000
Stock-based compensation expense	2,589,000	2,024,000
Accrued expenses and unpaid expense payable	520,000	309,000
Tax credit carryforwards	68,000	68,000
Unrealized exchange losses	(27,000)	(193,000)
Excess of tax amortization over book amortization	(461,000)	(577,000)
Others	(148,000)	(29,000)
Gross	10,904,000	9,620,000
Valuation allowance	(10,904,000)	(9,620,000)
Net	$ -	$ -

Management does not believe the deferred tax assets will be utilized in the near future; therefore, a full valuation allowance is provided. The net change in deferred tax assets valuation allowance was an increase of approximately $1,284,000 (unaudited) for the nine months ended September 30, 2021.

As of September 30, 2021 and December 31, 2020, the Company had federal NOLs of approximately $8,243,000 available to reduce future federal taxable income, expiring in 2037, and additional federal NOLs of approximately $19,123,000 (unaudited) and $16,743,000, respectively, were generated and will be carried forward indefinitely to reduce future federal taxable income. As of September 30, 2021 and December 31, 2020, the Company had State NOLs of approximately $29,511,000 (unaudited) and $27,461,000, respectively, available to reduce future state taxable income, expiring in 2041.

As of September 30, 2021 and December 31, 2020, the Company has Japan NOLs of approximately $358,000 (unaudited) and $392,000, respectively, available to reduce future Japan taxable income, expiring in 2031.

As of September 30, 2021 and December 31, 2020, the Company has Taiwan NOLs of approximately $2,585,000 (unaudited) and $2,405,000, respectively, available to reduce future Taiwan taxable income, expiring in 2031.

As of September 30, 2021 and December 31, 2020, the Company had approximately $37,000 (unaudited) and $37,000 of federal research and development tax credit, available to offset future federal income tax. The credit begins to expire in 2034 if not utilized. As of September 30, 2021 and December 31, 2020, the Company had approximately $39,000 (unaudited) and $39,000 of California state research and development tax credit available to offset future California state income tax. The credit can be carried forward indefinitely.

The Company's ability to utilize its federal and state NOLs to offset future income taxes is subject to restrictions resulting from its prior change in ownership as defined by Internal Revenue Code Section 382. The Company does not expect to incur the limitation on NOLs utilization in future annual usage.

NOTE 15 – Capital Stock

1) Preferred Stock:

The Company is authorized to issue 50,000,000 shares of preferred stock, with par value of $0.001. As of September 30, 2021, there were no preferred stock shares outstanding. The Board of Directors has the authority to issue preferred stock in one or more series, and in connection with the creation of any such series, by resolutions providing for the issuance of the shares thereof, to determine dividends, voting rights, conversion rights, redemption privileges and liquidation preferences.

2) Common Stock:

The Company is authorized to issue 90,000,000 shares of common stock with par value of $0.001.

As of September 30, 2021 and December 31, 2020, the restricted shares consisted of the following:

	September 30, 2021	December 31, 2020
	(Unaudited)	
Restricted stock - vested	1,802,373	1,802,373
Restricted stock - unvested	149,162	149,162
Total restricted stock	1,951,535	1,951,535

The unvested shares of restricted stock were recorded under a deposit liability account awaiting future conversion to common stock when they become vested.

3) Stock Warrant:

In connection with the Underwriting Agreement with Boustead Securities, LLC, or Boustead, the Company agreed to issue to Boustead warrants to purchase a number of the Company's shares equal to 6% of the gross proceeds of the public offering, which shall be exercisable, in whole or in part, commencing on April 13, 2018 and expiring on the five-year anniversary at an initial exercise price of $53.125 per share, which is equal to 125% of the offering price paid by investors. As of September 30, 2021, the Company issued total warrants to Boustead to purchase 77,680 shares of the Company's stock.

For the nine-month periods ended September 30, 2021 and 2020, the Company recorded a decrease of $418,700 and an increase of $262,600, respectively, in additional paid-in capital as adjustment for the issuance costs of these stock warrants.

On October 31, 2021, following approval by the Board of Directors, the Company issued a warrant to Mr. Sheng-Chun Chang for the purchase of up to 751,879 shares of the Company's common stock, exercisable at a price of $2.60 per share, the closing price of the common stock on the OTC Markets, Inc. QX tier on October 21, 2021. The issuance of the warrant is (i) in recognition of Mr. Chang's support of the Company through his previous personal guarantee of the Company's $10,000,000 line of credit with the Panhsin Bank (the "Bank") in relation to the private placement offering of $10,000,000 credit enhanced zero coupon convertible bonds and (ii) in exchange for Mr. Chang's agreement to renew his guarantee with the Bank for so long as the guarantee would be required by the Bank. The warrant will vest 20% on issuance. On each anniversary of the issue date, beginning with December 3, 2021 and ending with December 3, 2025, the warrant will vest with respect to 20% of the number of shares of the Company's common stock issuable upon conversion of the principal amount of the credit enhanced bonds still required to be guaranteed by the Panhsin Bank.

NOTE 16 – Major Customer

The Company has one unrelated major customer, which represents 10% or more of the total sales of the Company for the nine-month period ended September 30, 2021. Sales to the customer and accounts receivable for the nine-month period ended and as of September 30, 2021 were $1,807,100 and $0, respectively.

NOTE 17 – Major Vendors

The Company has two unrelated major vendors, which represents 10% or more of the total purchases of the Company for the nine-month periods ended September 30, 2021 and 2020. Purchase from these vendors for the nine-month periods ended September 30, 2021 and 2020, and accounts payable as of September 30, 2021 and December 31, 2020 were as follows:

	Purchase		Accounts Payable	
Vendor	**September 30, 2021**	**September 30, 2020**	**September 30, 2021**	**December 31, 2020**
A	$ 22,906	$ -	$ -	$ -
B	-	1,592,239	1,564,627	1,874,339
Total	$ 22,906	$ 1,592,239	$ 1,564,627	$ 1,874,339

NOTE 18 – Significant Related Party Transactions

In addition to the information disclosed in other notes, the Company has significant related party transactions as follows:

A. Name of related parties and relationships with the Company:

Related Party	**Relationship**
Well Thrive Limited ("WTL")	Major stockholder
Ejectt Inc. ("Ejectt")	Stockholder; Albert Hsu, a Director of Aerkomm, is the Chairman
AA Twin Associates Ltd. ("AATWIN")	Georges Caldironi, the COO of Aerkomm, is the sole owner
EESquare Japan ("EESquare JP")	Yih Lieh (Giretsu) Shih, the President of Aircom Japan, is the Director
Wealth Wide Int'l Ltd. ("WWI")	Bummy Wu, a stockholder, is the Chairman
dMobile System Co. Ltd. ("dMobile")	Sheng-Chun Chang, a major stockholder, is the Chairman

B. Significant related party transactions:

The Company has extensive transactions with its related parties. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

a. <u>As of September 30, 2021 and December 31, 2020:</u>

	September 30, 2021 (Unaudited)	December 31, 2020
Inventory prepayment to:		
dMobile[1]	$ 331,400	$ -
Ejectt[2]	-	542,130
Total	$ 331,400	$ 542,130
Loan from WTL[3]	$ 231,681	$ 527,066
Other payable to:		
AATWIN[4]	$ 238,281	$ 146,673
Interest payable to WTL[3]	45,105	7,623
Others[5]	341,615	296,890
Total	$ 625,001	$ 451,186
Lease liability to WWI[6]	$ 54,701	$ 68,661
Inventory prepayment from Ejectt[7]	$ 1,231,200	$ -

1. In June 2021, the Company ordered antenna equipment of $331,400 (NT $9,500,000) (unaudited) from dMobile. As of September 30, 2021, the Company had prepaid $331,400 (NT$9,500,000) (unaudited) to dMobile as prepayment on the equipment purchase. In November 2021, both parties agreed to cancel the transaction and dMobile repaid $331,400 (NT $9,500,000) (unaudited) in full to the Company on November 9, 2021.

2. Represents inventory prepayment paid to Ejectt. On May 11, 2020, the Company entered into a product purchase agreement (PO1) with Ejectt to purchase 100 sets of the AirCinema Cube to be installed on aircraft of commercial airline customers. The total purchase amount under this agreement was $1,807,100 (unaudited) and the Company paid 20% of the total amount, or $361,420 (unaudited), as an initial deposit. On July 15, 2020, the Company signed a second product purchase agreement (PO2) of $1,807,100 (unaudited) with Ejectt for an additional 100 sets of the AirCinema Cube for the same purchase amount and paid a 10% initial deposit of $180,710 (unaudited) on this agreement as well. In February 2021, the Company paid the remaining balance of the PO1 and received the inventory with aggregate value of $1,807,100 (unaudited). The deposit on PO2 was refunded by Ejectt on June 1, 2021.

3. The Company borrowed funds to meet operational needs from WTL under the Loans (discussed in Note 1). The original loan amount was approximately $2.64 million (NT$80,000,000). The loan agreement, which allows the Company to borrow additional funds and which carries an interest rate of 5% per annum, will terminate on December 31, 2021. As of November 19, 2021, the Company borrowed approximately additional $0.40 million (NT$11,150,000) (unaudited) from WTL under the loans.

4. Represents payable to AATWIN due to a consulting agreement dated January 1, 2019. The monthly consulting fee is EUR 15,120 (approximately $17,000). This agreement will expire on December 31, 2021.

5. Represents payables to employees as a result of regular operating activities.

NOTE 18 – Significant Related Party Transactions – Continued

6. Aircom Hong Kong has a lease agreement with WWI for warehouse space with a monthly rental cost of $450. The lease term on this property is from July 1, 2020 to June 30, 2022. Aircom Hong Kong has another lease agreement with WWI for its office space in Hong Kong. The original lease term was from June 28, 2018 to June 27, 2020 with a monthly rental cost of HKD 29,897 (approximately $3,847). The Company renewed this lease on June 27, 2020 and the current lease term is from June 28, 2020 to June 27, 2022 with a monthly rental cost of HKD 30,000 (approximately $3,829).

7. In July 2021, the Company entered into a Product Purchase Agreement with Ejectt. Under the Agreement, Ejectt agreed to purchase K++system of $1,368,000. As of September 30, 2021, Ejectt had prepaid $1,231,200 to the Company as prepayment on the purchase.

b. For the three-month and nine-month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Purchase from Ejectt[1]	$ -	$ -	$ 1,807,100	$ -
Consulting expense charged by AATWIN[2]	53,285	53,669	162,353	153,890
Interest expense charged by WTL[3]	249	2,921	39,027	11,988
Rental expense charged by WWI[4]	11,954	-	35,919	-
Sales to Ejectt[5]	-	-	72,000	-
Rental income from EESqaure JP[6]	3,643	-	9,206	-

1. Represents inventory prepayment paid to Ejectt. On May 11, 2020, the Company entered into a product purchase agreement (PO1) with Ejectt to purchase 100 sets of the AirCinema Cube to be installed on aircraft of commercial airline customers. The total purchase amount under this agreement was $1,807,100 (unaudited) and the Company paid 20% of the total amount, or $361,420 (unaudited), as an initial deposit. On July 15, 2020, the Company signed a second product purchase agreement (PO2) of $1,807,100 (unaudited) with Ejectt for an additional 100 sets of the AirCinema Cube for the same purchase amount and paid a 10% initial deposit of $180,710 (unaudited) on this agreement as well. In February 2021, the Company paid the remaining balance of PO1 and received the inventory with aggregate value of $1,807,100 (unaudited).

2. Represents payable to AATWIN due to a consulting agreement dated January 1, 2019. The monthly consulting fee is EUR 15,120 (approximately $17,000). This agreement will expire on December 31, 2021.

3. The Company borrowed funds to meet operational needs from WTL under the Loans (discussed in Note 1). The original loan amount was approximately $2.64 million (NT$80,000,000). The loan agreement, which allows the Company to borrow additional funds and which carries an interest rate of 5% per annum, will terminate on December 31, 2021. As of November 19, the Company borrowed approximately additional $0.40 million (NT$11,150,000) (unaudited) from WTL under the loans.

4. Aircom Hong Kong has a lease agreement with WWI for warehouse space with a monthly rental cost of $450. The lease term on this property is from July 1, 2020 to June 30, 2022. Aircom Hong Kong has another lease agreement with WWI for its office space in Hong Kong. The original lease term was from June 28, 2018 to June 27, 2020 with a monthly rental cost of HKD 29,897 (approximately $3,847). The Company renewed this lease on June 27, 2020 and the current lease term is from June 28, 2020 to June 27, 2022 with a monthly rental cost of HKD 30,000 (approximately $3,829).

5. On April 18, 2021, the Company entered into a memorandum of understanding with Ejectt pursuant to which Ejectt will serve as the exclusive service provider to the Company in Asia with respect to the installation and service of the Company's Aerkomm AirCinema Cube ("ACC") product and the related software platform ("Rayfin") on which AAC will operate. In 2021, the Company sold ground antenna equipment to Ejectt for the cooperation purpose.

6. Aircom Japan entered into a sublease agreement with EESquare JP for the period between March 5, 2019 and March 4, 2021. Pursuant to the terms of this lease agreement, EESquare JP pays Aircom Japan a rental fee of approximately $920 per month.

NOTE 19 – Stock Based Compensation

In March 2014, Aircom's Board of Directors adopted the 2014 Stock Option Plan (the "Aircom 2014 Plan"). The Aircom 2014 Plan provided for the granting of incentive stock options and non-statutory stock options to employees, consultants and outside directors of Aircom. On February 13, 2017, pursuant to the Exchange Agreement, Aerkomm assumed the options of Aircom 2014 Plan and agreed to issue options for an aggregate of 1,088,882 shares to Aircom's stock option holders.

NOTE 19 – Stock Based Compensation – Continued

One-third of stock option shares will be vested as of the first anniversary of the time the option shares are granted or the employee's acceptance to serve the Company, and 1/36th of the shares will be vested each month thereafter. Option price is determined by the Board of Directors. The Aircom 2014 Plan became effective upon its adoption by the Board and shall continue in effect for a term of 10 years unless sooner terminated under the terms of Aircom 2014 Plan.

On May 5, 2017, the Board of Directors of Aerkomm adopted the Aerkomm Inc. 2017 Equity Incentive Plan (the "Aerkomm 2017 Plan" and together with the Aircom 2015 Plan, the "Plans") and the reservation of 1,000,000 shares of common stock for issuance under the Aerkomm 2017 Plan. On June 23, 2017, the Board of Directors voted to increase the number of shares of common stock reserved for issuance under the Aerkomm 2017 Plan to 2,000,000 shares. On October 21, 2021, the Board of Directors voted to increase the number of shares of common stock reserved for issuance under the Aerkomm 2017 Plan to 2,400,000 shares. The Aerkomm 2017 Plan provides for the granting of incentive stock options and non-statutory stock options to employees, consultants and outside directors of the Company, as determined by the Compensation Committee of the Board of Directors (or, prior to the establishment of the Compensation Committee on January 23, 2018, the Board of Directors).

On June 23, 2017, the Board of Directors agreed to issue options for an aggregate of 291,000 shares under the Aerkomm 2017 Plan to certain officers and directors of the Company. The option agreements are classified into three types of vesting schedule, which includes, 1) 1/6 of the shares subject to the option shall vest commencing on the vesting start date and the remaining shares shall vest at the rate of 1/60 for the next 60 months on the same day of the month as the vesting start date; 2) 1/4 of the shares subject to the option shall vest commencing on the vesting start date and the remaining shares shall vest at the rate of 1/36 for the next 36 months on the same day of the month as the vesting start date; 3) 1/3 of the shares subject to the option shall vest commencing on the first anniversary of vesting start date and the remaining shares shall vest at the rate of 50% each year for the next two years on the same day of the month as the vesting start date.

On July 31, 2017, the Board of Directors approved to issue options for an aggregate of 109,000 shares under the Aerkomm 2017 Plan to 11 of its employees. 1/3 of these shares subject to the option shall vest commencing on the first anniversary of vesting start date and the remaining shares shall vest at the rate of 50% each year for the next two years on the same day of the month as the vesting start date.

On December 29, 2017, the Board of Directors approved to issue options for an aggregate of 12,000 shares under the Aerkomm 2017 Plan to three of the Company's independent directors, 4,000 shares each. All of these options were vested immediately upon issuance.

On June 19, 2018, the Compensation Committee approved to issue options for 32,000 and 30,000 shares under the Aerkomm 2017 Plan to two of the Company executives. One-fourth of the 32,000 shares subject to the option shall vest on May 1, 2019, 2020, 2021 and 2022, respectively. One-third of the 30,000 shares subject to the option shall vest on May 29, 2019, 2020 and 2021, respectively.

On September 16, 2018, the Compensation Committee approved to issue options for 4,000 shares under the Aerkomm 2017 Plan to one of the Company's independent directors. These options shall be vested immediately.

On December 29, 2018, the Compensation Committee approved to issue options for an aggregate of 12,000 shares under the Aerkomm 2017 Plan to three of the Company's independent directors, 4,000 shares each. All of these options were vested immediately upon issuance.

On July 2, 2019, the Board of Directors approved the grant of options to purchase an aggregate of 339,000 shares under the Aerkomm 2017 Plan to 22 of its directors, officers and employees. 25% of the shares vested on the grant date, 25% of the shares vested on July 17, 2019, 25% of the shares will vest on the first anniversary of the grant date, and 25% of the shares will vest upon the second anniversary of the grant date.

On October 4, 2019, the Board of Directors approved the grant of options to purchase an aggregate of 85,400 shares under the Aerkomm 2017 Plan to three (3) of its employees. 25% of the shares vested on the grant date, and 25% of the shares will vest on each of October 4, 2020, October 4, 2021 and October 4, 2022, respectively.

On December 29, 2019, the Board of Directors approved to issue options for an aggregate of 12,000 shares under the Aerkomm 2017 Plan to three of the Company's independent directors, 4,000 shares each. All of these options shall vest at the rate of 1/12th each month for the next 12 months on the same day of December 2019.

On February 19, 2020, the Board of Directors approved to issue options for 2,000 shares under the Aerkomm 2017 Plan to one of the Company's consultants for service provided in 2019. These options shall be vested immediately.

On September 17, 2020, the Board of Directors approved to issue options for 4,000 shares under the Aerkomm 2017 Plan to one of the Company's independent directors. These options shall be vested at the rate of 1/12th each month for the next 12 months on the same day of September 2020.

NOTE 19 – Stock Based Compensation – Continued

On December 11, 2020, the Board of Directors approved the grant of options to purchase an aggregate of 284,997 shares under the Aerkomm 2017 Plan to 37 of its directors, officers, employees and consultants. Shares shall be vested in full on the earlier of the filing date of the Company's Form 10-K for the year ended December 31, 2020 or March 31, 2021.

On January 23, 2021, the Board of Directors approved to issue options for an aggregate of 12,000 shares under the Aerkomm 2017 Plan to three of the Company's independent directors, 4,000 shares each. All of these options shall vest 1/12th each month for the next 12 months at the end of each month up to December 2021. On January 23, 2021, the Board of Directors approved to issue options for 2,000 shares under the Aerkomm 2017 Plan to one of the Company's consultants for service provided in 2020. These options vested immediately.

On September 1, 2021, the Board of Directors approved to issue options for 18,750 shares under the Aerkomm 2017 Plan to one of the Company's officers. These options shall be vested immediately.

On September 17, 2021, the Board of Directors approved to issue options for 4,000 shares under the Aerkomm 2017 Plan to one of the Company's independent directors. These options shall be vested at the rate of 1/12th each month for the next 12 months on the same day of September 2021.

On October 21, 2021, the Board of Directors approved to issue options for 150,000 shares under the Aerkomm 2017 Plan to one of the Company's officers. These options shall be vested immediately.

Option price is determined by the Compensation Committee. The Aerkomm 2017 Plan has been adopted by the Board and shall continue in effect for a term of 10 years unless sooner terminated under the terms of Aerkomm 2017 Plan. The Aerkomm 2017 Plan was approved by the Company's stockholders on March 28, 2018.

Valuation and Expense Information

Measurement and recognition of compensation expense based on estimated fair values is required for all share-based payment awards made to its employees and directors including employee stock options. The Company recognized compensation expense of $2,021,161 and $1,196,386 for the nine-month periods ended September 30, 2021 and 2020, respectively, related to such employee stock options.

Determining Fair Value

Valuation and amortization method

The Company uses the Black-Scholes option-pricing-model to estimate the fair value of stock options granted on the date of grant or modification and amortizes the fair value of stock-based compensation at the date of grant on a straight-line basis for recognizing stock compensation expense over the vesting period of the option.

Expected term

The expected term is the period of time that granted options are expected to be outstanding. The Company uses the SEC's simplified method for determining the option expected term based on the Company's historical data to estimate employee termination and options exercised.

Expected dividends

The Company does not plan to pay cash dividends before the options are expired. Therefore, the expected dividend yield used in the Black-Scholes option valuation model is zero.

Expected volatility

Since the Company has no historical volatility, it used the calculated value method which substitutes the historical volatility of a public company in the same industry to estimate the expected volatility of the Company's share price to measure the fair value of options granted under the Plans.

Risk-free interest rate

The Company based the risk-free interest rate used in the Black-Scholes option valuation model on the market yield in effect at the time of option grant provided in the Federal Reserve Board's Statistical Releases and historical publications on the Treasury constant maturities rates for the equivalent remaining terms for the Plans.

NOTE 19 – Stock Based Compensation – Continued

Forfeitures

The Company is required to estimate forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate option forfeitures and records share-based compensation expense only for those awards that are expected to vest.

The Company used the following assumptions to estimate the fair value of options granted in the nine-month period ended September 30, 2021 and the year ended December 31, 2020 under the Plans as follows:

Assumptions	
Expected term	5-10 years
Expected volatility	45.79% – 72.81%
Expected dividends	0%
Risk-free interest rate	0.69% - 2.99%
Forfeiture rate	0 - 5%

Aircom 2014 Plan

Activities related to options for the Aircom 2014 Plan for the nine months ended September 30, 2021 and the year ended December 31, 2020 are as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Fair Value Per Share
Options outstanding at January 1, 2020	932,262	$ 0.4081	$ 0.1282
Granted	-	-	-
Exercised	-	-	-
Forfeited/Cancelled	-	-	-
Options outstanding at December 31, 2020	932,262	0.4081	0.1282
Granted	-	-	-
Exercised	-	-	-
Forfeited/Cancelled	(820,391)	0.0067	0.0020
Options outstanding at September 30, 2021 (unaudited)	111,871	3.3521	1.0539

There are no unvested stock awards under Aircom 2014 Plan for the nine-month period ended September 30, 2021 and the year ended December 31, 2020.

Of the shares covered by options outstanding as of September 30, 2021, 111,871 are now exercisable. Information related to stock options outstanding and exercisable at September 30, 2021, is as follows:

	Options Outstanding (Unaudited)			Options Exercisable (Unaudited)		
Range of Exercise Prices	Shares Outstanding at 9/30/2021	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable at 9/30/2021	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$ 3.3521	111,871	4.75	$ 3.3521	111,871	4.75	$ 3.3521

As of September 30, 2021, there was no unrecognized stock-based compensation expense for the Aircom 2014 Plan. No option was exercised during the nine-month periods ended September 30, 2021 and 2020.

NOTE 19 – Stock Based Compensation – Continued

Aerkomm 2017 Plan

Activities related to options outstanding under Aerkomm 2017 Plan for the nine months ended September 30, 2021 and the year ended December 31, 2020 are as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Fair Value Per Share
Options outstanding at January 1, 2020	719,400	$ 14.4889	$ 9.2431
Granted	290,997	8.3880	6.3769
Exercised	-	-	-
Forfeited/Cancelled	(18,000)	11.8067	7.3457
Options outstanding at December 31, 2020	992,397	12.7486	8.4370
Granted	36,750	5.3090	4.0515
Exercised	-	-	-
Forfeited/Cancelled	-	-	-
Options outstanding at September 30, 2021 (unaudited)	1,029,147	12.4829	8.2804

Activities related to unvested stock awards under Aerkomm 2017 Plan for the nine-month period ended September 30, 2021 and the year ended December 31, 2020 are as follows:

	Number of Shares	Weighted Average Fair Value Per Share
Options unvested at January 1, 2020	340,128	$ 7.8313
Granted	290,997	6.3769
Vested	(186,209)	9.3191
Forfeited/Cancelled	(6,625)	4.0779
Options unvested at December 31, 2020	438,291	6.2904
Granted	36,750	4.0515
Vested	(417,497)	5.8286
Forfeited/Cancelled	-	-
Options unvested at September 30, 2021 (unaudited)	57,544	8.2109

Of the shares covered by options outstanding under the Aircom 2017 Plan as of September 30, 2021, 971,603 (unaudited) are now exercisable; 36,194 (unaudited) shares will be exercisable for the twelve-month period ending September 30, 2022; 21,350 shares will be exercisable for the twelve-month period ending September 30, 2023. Information related to stock options outstanding and exercisable at September 30, 2021, is as follows:

	Options Outstanding (Unaudited)			**Options Exercisable** (Unaudited)		
Range of Exercise Prices	Shares Outstanding at 9/30/2021	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable at 9/30/2021	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$ 3.96 – 4.20	349,750	7.90	$ 3.9702	345,906	7.87	$ 3.9689
7.00 – 9.00	310,997	9.17	8.2766	307,997	9.17	8.2866
11.00 – 14.20	103,400	7.97	11.4426	60,700	7.94	11.7539
20.50 – 27.50	141,000	6.16	24.3638	133,000	6.13	24.5962
30.00 – 35.00	124,000	5.75	34.4012	124,000	5.75	34.4012
	1,029,147	7.79	12.4829	971,603	7.78	12.5315

As of September 30, 2021, total unrecognized stock-based compensation expense related to stock options was approximately $256,000 (unaudited), which is expected to be recognized on a straight-line basis over a weighted average period of approximately 0.86 year. No option was exercised during the nine-month period ended September 30, 2021 and the year ended December 31, 2020.

NOTE 20 – Commitments

As of September 30, 2021, the Company's significant commitment is summarized as follows:

Airbus SAS Agreement: On November 30, 2018, in furtherance of a memorandum of understanding signed in March 2018, the Company entered into an agreement with Airbus SAS ("Airbus"), pursuant to which Airbus will develop and certify a complete retrofit solution allowing the installation of the Company's "AERKOMM K++" system on Airbus' single aisle aircraft family including the Airbus A319/320/321, for both Current Engine Option (CEO) and New Engine Option (NEO) models. Airbus will also apply for and obtain on the Company's behalf a Supplemental Type Certificate (STC) from the European Aviation Safety Agency, or EASA, as well as from the U.S. Federal Aviation Administration or FAA, for the retrofit AERKOMM K++ system. The EU-China Bilateral Aviation Safety Agreement, or BASA, went into effect on September 3, 2020, giving a boost to the regions' aviation manufacturers by simplifying the process of gaining product approvals from the European Union Aviation Safety Agency, or EASA, and the Civil Aviation Administration of China, or CAAC, while also ensuring high safety and environment standards will continue to be met. Pursuant to the terms of our Airbus agreement, Airbus agreed to provides the Company with the retrofit solution which will include the Service Bulletin and the material kits including the update of technical and operating manuals pertaining to the aircraft and provision of aircraft configuration control. The timeframe for the completion and testing of this retrofit solution, including the certification, is expected to be in the third quarter of 2021, although there is no guarantee that the project will be successfully completed in the projected timeframe.

Airbus Interior Service Agreement: On July 24, 2020, Aerkomm Malta, entered into an agreement with Airbus Interior Services, a wholly-owned subsidiary of Airbus. This new agreement follows the agreement that Aircom signed with Airbus on November 30, 2018 pursuant to which Airbus agreed to develop, install and certify the Aerkomm K++ System on a prototype A320 aircraft to EASA and FAA certification standards.

Hong Kong Airlines Agreement: On January 30, 2020, Aircom signed an agreement with Hong Kong Airlines Ltd. (HKA) to provide to Hong Kong Airlines both of its Aerkomm AirCinema and AERKOMM K++ IFEC solutions. Under the terms of this new agreement, Aircom will provide HKA its Ka-band AERKOMM K++ IFEC system and its AERKOMM AirCinema system. HKA will become the first commercial airliner launch customer for Aircom.

Republic Engineers Complaint: On October 15, 2018, Aircom Telecom entered into a product purchase agreement, or the October 15th PPA, with Republic Engineers Maldives Pte. Ltd., a company affiliated with Republic Engineers Pte. Ltd., or Republic Engineers, a Singapore based, private construction and contracting company. On November 30, 2018, the October 15th PPA was re-executed with Republic Engineers Pte. Ltd. as the signing party. The Company refers to this new agreement as the November 30th PPA and, together with the October 15th PPA, the PPA. Under the terms of the PPA, Republic Engineers committed to the purchase of a minimum of 10 shipsets of the AERKOMM K++ system at an aggregate purchase price of $10 million. Additionally, under the terms of the PPA, the Executive Director of Republic Engineers, C. A. Raja, agreed to sign an agreement, or the Guarantee, to guarantee all of the obligations of Republic Engineers under the PPA. Republic Engineers had submitted a purchase order, or PO, dated October 15, 2018 for the 10 shipsets and was supposed to have made payments to Aircom Telecom against the purchase order shortly thereafter. To date, Republic Engineers has made no payments against the purchase order and the Company has not begun any work on the ordered shipsets. On July 7, 2020, Republic Engineers and Mr. Raja filed a complaint against Aerkomm, Aircom and Aircom Telecom (the "Aircom Parties") in the Superior Court of the State of California for the County of Almeda, or the Court, seeking declaratory relief only and no money damages, alleging that the PPA and the PO were not executed or authorized by Republic Engineers and that the Guarantee was not executed or authorized by Mr. Raja. Republic Engineers and C. A. Raja have requested from the Court (i) orders that the PPA, the PO and the Guarantee be declared null and void and (ii) the payment of their reasonable attorney's fees. On July 29, 2020, Aircom Telecom provided notice to Republic Engineers that the PPA and the PO have been terminated according to their terms as a result of the non-performance of Republic Engineers and the Failure of Mr. Raja to provide the Guarantee. Aerkomm denies the allegations in the complaint and believes that the claims filed by Republic Engineers and Mr. Raja have no merit. The Aircom Parties filed a motion for judgment on the pleadings in August 2021, asking the Court to find the Complaint for Declaratory Relief to be moot, because the contracts that are the subject of the Complaint have been terminated. On September 22, 2021, the Court granted that motion, and dismissed the complaint. At the request of Republic Engineers, the Court granted Republic Engineers leave to amend their complaint to attempt to allege a viable claim. Any amended complaint must be filed within 30 days. As of November 19, 2021, Republic Engineers currently has until November 25, 2021 to file an amended complaint or seek a further extension of time to file an amended complaint. Aerkomm has retained special litigation counsel and intends to vigorously defend against the claims. Aerkomm does not expect that this proceeding will have a material adverse effect on its results of operations or cash flows.

NOTE 20 – Commitments – Continued

Shenzhen Yihe: On June 20, 2018, the Company entered into that certain Cooperation Framework Agreement, as supplemented on July 19, 2019, with Shenzhen Yihe Culture Media Co., Ltd., or Yihe, the authorized agent of Guangdong Tengnan Internet, or Tencent Group, pursuant to which Yihe agreed to assist the Company with public relations, advertising, market and brand promotion, as well as with the development of a working application of the Tencent Group WeChat Pay payment solution and WeChat applets applicable for Chinese users and relating to cell phone and WiFi connectivity on airplanes. As compensation under this Yihe agreement, the Company paid Yihe RMB 8 million (approximately US$1.2 million). On October 16, 2020, in accordance with the provisions of the agreement with Yihe, as supplemented, the Company filed an arbitration action with the Shenzhen International Arbitration Court, or the Arbitration Court, claiming that Yihe failed to perform under the terms of the supplemented agreement and seeking a complete refund of its RMB 8 million payment to Yihe. The Company received notice from the Arbitration Court on October 16, 2020 of receipt of its arbitration filing and the requirement to pay the Arbitration Court RMB 190,000 in fees relating to the arbitration. These fees were paid on October 28, 2020. The Company intends to aggressively pursue this matter. As of September 30, 2021, the prepayment was reclassified to other receivable and full allowance was reserved.

US trademark: On December 1, 2020, the United States Patent and Trademark Office (the “USPTO”) issued a Final Office Action relating to Aerkomm Inc. indicating that the Company’s US trademark application (Serial No. 88464588) for the name “AERKOMM,” which was originally filed with the USPTO on June 7, 2019, was being rejected because of a likelihood of confusion with a similarly sounding name trademarked at, and in use from, an earlier date. The Company is appealing this USPTO Final Office Action but there can be no guarantee that the USPTO will find on appeal in favor of the Company. The Company is actively considering changing the name and may determine to do so prior to any appeal decision by the USPTO.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to "we," "us," "our," or "our company" are to the combined business of Aerkomm Inc., a Nevada corporation, and its consolidated subsidiaries, including Aircom Pacific, Inc., a California corporation and wholly-owned subsidiary, or Aircom; Aircom Pacific Ltd., a Republic of Seychelles company and wholly-owned subsidiary of Aerkomm; Aerkomm Pacific Limited, a Malta company and wholly owned subsidiary of Aircom Pacific Ltd.; Aircom Pacific Inc. Limited, a Hong Kong company and wholly-owned subsidiary of Aerkomm; Aircom Japan, Inc., a Japanese company and wholly-owned subsidiary of Aerkomm; and Aircom Telecom LLC, a Taiwanese company and wholly-owned subsidiary of Aircom, Aircom Taiwan, or Aircom Beijing.

Special Note Regarding Forward Looking Statements

Certain information contained in this report includes forward-looking statements. The statements herein which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to us and our interpretation of what is believed to be significant factors affecting the businesses, including many assumptions regarding future events. The following factors, among others, may affect our forward-looking statements:

- our future financial and operating results;
- our intentions, expectations and beliefs regarding anticipated growth, market penetration and trends in our business;
- the impact and effects of the global outbreak of the coronavirus (COVID-19) pandemic, and other potential pandemics or contagious diseases or fear of such outbreaks, on the global airline and tourist industries, especially in the Asia Pacific region;
- our ability to attract and retain customers;
- our dependence on growth in our customers' businesses;
- the effects of changing customer needs in our market;
- the effects of market conditions on our stock price and operating results;
- our ability to successfully complete the development, testing and initial implementation of our product offerings;
- our ability to maintain our competitive advantages against competitors in our industry;
- our ability to timely and effectively adapt our existing technology and have our technology solutions gain market acceptance;
- our ability to introduce new product offerings and bring them to market in a timely manner;
- our ability to obtain required telecommunications, aviation and other licenses and approvals necessary for our operations
- our ability to maintain, protect and enhance our intellectual property;
- the effects of increased competition in our market and our ability to compete effectively;
- our expectations concerning relationship with customers and other third parties;
- the attraction and retention of qualified employees and key personnel;
- future acquisitions of our investments in complementary companies or technologies; and
- our ability to comply with evolving legal standards and regulations.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words or comparable terminology. Actual results, performance, liquidity, financial condition, prospects and opportunities could differ materially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including the ability to raise sufficient capital to continue our operations. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2019, and matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this report will in fact occur.

Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

The specific discussions herein about our company include financial projections and future estimates and expectations about our business. The projections, estimates and expectations are presented in this report only as a guide about future possibilities and do not represent actual amounts or assured events. All the projections and estimates are based exclusively on our management's own assessment of our business, the industry in which we work and the economy at large and other operational factors, including capital resources and liquidity, financial condition, fulfillment of contracts and opportunities. The actual results may differ significantly from the projections.

Potential investors should not make an investment decision based solely on our company's projections, estimates or expectations.

Overview

With advanced technologies and a unique business model, we, as a development stage service provider of IFEC solutions, intend to provide airline passengers with a broadband in-flight experience that encompasses a wide range of service options. Such options include Wi-Fi, cellular, movies, gaming, live TV, and music. We plan to offer these core services, which we are currently still developing, through both built-in in-flight entertainment systems, such as seat-back display, as well as on passengers' own personal devices. We also expect to provide content management services and e-commerce solutions related to our IFEC solutions.

We plan to partner with airlines and offer airline passengers free IFEC services. We expect to generate revenue through advertising and in-flight transactions. We believe that this is an innovative approach that differentiates us from existing market players.

To complement and facilitate our planned IFEC service offerings, we intend to build satellite ground stations and related data centers within the geographic regions where we expect to be providing IFEC airline services.

Additionally, we have developed and begun to market two internet connectivity systems, one for hotels primarily located in remote regions and the other for maritime use. Both systems operate through a Ku/Ku high throughput satellite, or HTS. We also expect to develop a remote connectivity system that will be applicable to the highspeed rail industry.

Our total sales were $1,882,000 and $0 for the nine months ended September 30, 2021 and the year ended December 31, 2020.

Business Development.

We are actively working with prospective airline customers to provide services to their passengers utilizing the Airbus certified AERKOMM K++ system. We have entered into non-binding memoranda of understanding with a number of airlines, including Air Malta Airlines of Malta and Onur Air of Turkey. There can be no assurances, however, that these will lead to actual purchase agreements.

In view of the increasing demand by the airlines for a bigger data throughput, during the course of discussions between us and Airbus, we have revised our strategy to focus primarily on Ka-band IFEC solutions for airlines and have suspended work on our dual band (Ka/Ku) satellite inflight connectivity solution. The Ku-band system will, however, still be retained for other product applications such as remote locations and maritime use.

In connection with the Airbus project, we also identified owners of ACJ aircraft, as potential customers of our AERKOMM K++ system. ACJ customers, however, would not generate enough internet traffic to make our free-service business model viable. To capitalize on this additional market, we plan to sell our AERKOMM K++ system hardware for installation on ACJ corporate jets and provide connectivity through subscription-based plans. This new corporate jet market would generate additional revenue and income for our company. We are currently in advanced discussions with a number of ACJ customers, some of whom have more than one aircraft in their fleets.

Our AERKOMM K++ System

Following the course of discussions between us and Airbus and in view of the increasing demand by the airlines for a bigger data throughput, we have revised our strategy to focus primarily on Ka-band satellite connectivity solutions for aviation customers and have suspended work on our dual band satellite connectivity solution. Our AERKOMM K++ system will operate through Ka/Ka High Throughput Satellites. The Ku-band system will, however, still be retained for the other applications such as remote locations and maritime use.

Our AERKOMM K++ system will contain a low-profile radome (that is, a dome or similar structure protecting our radio equipment) containing two Ka-band antennas, one for transmitting and the other for receiving, and will comply with the ARINC 791 standard of Aeronautical Radio, Incorporated. Our AERKOMM K++ system also meets Airbus Design Organization Approval.

GEO (Geostationary Earth Orbiting) and LEO (Low Earth Orbiting) Ka-band Satellites

Our initial AERKOMM K++ system will work only with geostationary earth orbiting, or GEO, Ka-band satellites. Performance of GEO satellites diminishes greatly in the areas near the Earth's poles. Only low earth orbiting, or LEO, satellites can collect high quality data over the North and South poles. We are developing technologies to work with LEO satellites and plans to partner with Airbus to develop aircraft installation solutions. As new GEO and LEO Ka-band satellites are being regularly launched over the next few years, which, we expect, will enable the provision of worldwide aircraft coverage, we plan to have the necessary technology ready to take advantage of this new trend in Ka-band aviation connectivity, although it cannot assure you that it will be successful in this new area of endeavor.

Ground-based Satellite System Sales

Since our acquisition of Aircom Taiwan in December 2017, this wholly owned subsidiary has been developing ground-based satellite connectivity components which have an application in remote regions that lack regular affordable ground-based communications. In September 2018, Aircom Taiwan consummated its first sale of such a component, a small cell server terminal, in the amount of $1,730,000. This server terminal will be utilized by the purchaser in the construction of a satellite-based ground communication system which will act as a multicast service extension of existing networks. The system is designed to extend local existing networks, such as ISPs and mobile operators, into rural areas and create better coverage and affordable connectivity in these areas. Aircom Taiwan expects to sell additional satellite connectivity components, systems and services to be used in ground mobile units in the future, although there can be no assurances that it will be successful in these endeavors.

In addition, in September 2018, Aircom Taiwan provided installation and testing services of a satellite-based ground connectivity system to a remote island resort and received service income related to this project in the amount of $15,000. Upon the completion of this system's testing phase, and assuming that the system operates satisfactorily, Aircom Taiwan expects to begin to sell this system to multiple, remotely located resorts. We can make no assurances at this time however, that this system will operate satisfactorily, that we will be successful in introducing this system as a viable product offering or that we will be able to generate any additional revenue from the sale and deployment of this system.

Recent Events

<u>Short Term Loan</u>

In June 2021, we entered into a loan agreement in the amount of $1,433,177 (NT $40,000,000) with a non-related party. This loan, which carries no interest, originally matured on September 16, 2021. This loan is collateralized with 4,000,000 shares of Ejectt stocks that we currently own. As of September 30, 2021, the outstanding loan balance was $1,436,782 (NT$40,000,000) (unaudited). As of November 19, 2021, the two parties signed an amendment agreement to extend the loan repayment date to December 16, 2021.

Taiwan Land Acquisition

On July 10, 2018, our Company and Aerkomm Taiwan entered into a real estate sale contract (the “Land Purchase Contract”) with Tsai Ming-Yin (the “Seller”) with respect to the acquisition by Aerkomm Taiwan of a parcel of land located in Taiwan. The land is expected to be used to build a satellite ground station and data center. Pursuant to the terms of the Land Purchase Contract, and subsequent amendments on July 30, 2018, September 4, 2018, November 2, 2018 and January 3, 2019, we paid to the seller in installments refundable prepayments of $34,474,462 in total. As of September 30, 2021 and December 31, 2020, the estimated commission payable for the land purchase in the amount of $1,387,127 was recorded to the cost of land and the payment to be paid after the full payment of the Land acquisition price no later than December 31, 2021. According to the amended Land Purchase Contract dated on November 10, 2020, the transaction may be terminated any time by both the buyer and the seller and agreed by all parties if we are unable to obtain the qualified satellite license issued by Taiwan authority before July 31, 2021. As of November 19, 2021, the license applications are still in progress and, as a result of this status, the Land Purchase Contract is now terminable at will by either party.

Warrant for Sheng-Chun Chang

On October 31, 2021, following approval by the Board of Directors, we issued a warrant to Mr. Sheng-Chun Chang for the purchase of up to 751,879 shares of the Company’s common stock, exercisable at a price of $2.60 per share, the closing price of the common stock on the OTC Markets, Inc. QX tier on October 21, 2021. The issuance of the warrant is (i) in recognition of Mr. Chang’s support of the Company through his previous personal guarantee of our $10,000,000 line of credit with the Panhsin Bank (the “Bank”) in relation to the private placement offering of $10,000,000 credit enhanced zero coupon convertible bonds and (ii) in exchange for Mr. Chang’s agreement to renew his guarantee with the Bank for so long as the guarantee would be required by the Bank. The warrant will vest 20% on issuance. On each anniversary of the issue date, beginning with December 3, 2021 and ending with December 3, 2025, the warrant will vest with respect to 20% of the number of shares of our common stock issuable upon conversion of the principal amount of the credit enhanced bonds still required to be guaranteed by the Bank.

Changes in Directorships

On October 4, 2021, Dr. James J. Busuttil resigned from his positions as a member and chairman of our board of directors and the board of directors of Aircom Pacific, Inc. (“Aircom”), a wholly owned subsidiary of ours. Dr. Busutill also resigned from his position as a member of the board of directors of Aerkomm Pacific Limited (Malta), a wholly owned subsidiary of Aircom. At the time of his resignation, Dr. Busutill was a member of our audit, compensation, nominating and governance, and regulatory, compliance and government affairs committees, and he was chairman of the nominating and governance committee. Dr. Busuttil’s resignations were not the result of any disagreement with our executive management.

On October 7, 2021, our board of directors appointed Louis Giordimaina as a member of our board of directors to fill the position vacated as a result of Dr. Busuttil’s resignation. Mr. Giordimaina has been our Chief Executive Officer since March 22, 2020.

Also on October 7, 2021, our board of directors voted to appoint Mr. Jeffrey Wun as its Chairman and to appoint Mr. Richmond Akumiah as Chairman of the Nominating and Governance Committee. Both of these positions became open upon the resignation of Dr. Busuttil.

Restructuring

On October 22, 2021, we and our wholly owned operating subsidiary, Aircom, entered into a restructuring agreement pursuant to which all of the subsidiaries of Aircom would be transferred to us while we would transfer our direct subsidiary, Aerkomm Taiwan Inc., to Aircom. This agreement was subsequently amended such that only three subsidiaries of Aircom, Aircom HK, Aircom Japan and Aircom Seychelles, were transferred to us. For a comparison of our organizational structure before and after this reorganization, see our organization charts in Note 1 to our financial statements in this Form 10-Q.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic is having a particularly adverse impact on the airline industry. The outbreak in China and throughout the world since December 2019 has led to a precipitous decrease in the number of daily departures and arrivals for domestic and international flights.

Principal Factors Affecting Financial Performance

We believe that our operating and business performance will be driven by various factors that affect the commercial airline industry, including trends affecting the travel industry and trends affecting the customer bases that we target, as well as factors that affect wireless Internet service providers and general macroeconomic factors. Key factors that may affect our future performance include:

- our ability to enter into and maintain long-term business arrangements with airline partners, which depends on numerous factors including the real or perceived availability, quality and price of our services and product offerings as compared to those offered by our competitors;
- the extent of the adoption of our products and services by airline partners and customers;
- costs associated with implementing, and our ability to implement on a timely basis, our technology, upgrades and installation technologies;
- costs associated with and our ability to execute our expansion, including modification to our network to accommodate satellite technology, development and implementation of new satellite-based technologies, the availability of satellite capacity, costs of satellite capacity to which we may have to commit well in advance, and compliance with regulations;
- costs associated with managing a rapidly growing company;

- the impact and effects of the global outbreak of the coronavirus (COVID-19) pandemic, and other potential pandemics or contagious diseases or fear of such outbreaks, on the global airline and tourist industries, especially in the Asia Pacific region;

- the number of aircraft in service in our markets, including consolidation of the airline industry or changes in fleet size by one or more of our commercial airline partners;

- the economic environment and other trends that affect both business and leisure travel;

- continued demand for connectivity and proliferation of Wi-Fi enabled devices, including smartphones, tablets and laptops;

- our ability to obtain required telecommunications, aviation and other licenses and approvals necessary for our operations; and

- changes in laws, regulations and interpretations affecting telecommunications services and aviation, including, in particular, changes that impact the design of our equipment and our ability to obtain required certifications for our equipment.

Emerging Growth Company

We qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;

- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);

- submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay" and "say-on-frequency;" and

- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO's compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards.

In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed $1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our shares of common stock that are held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three year period.

Recent Market Information

In the IATA (International Air Transportation Association) Airlines Financial Monitor dated November - December 2020, published on January 21, 2021, the following key points were highlighted:

- The final Q3 2020 financial results show that airlines continued to suffer from very weak travel demand and burnt cash, albeit at a slower rate compared to Q2 with the help of cost cutting measures and robust cargo revenues.

- Initial Q4 2020 earnings announcements indicate that airlines continued to burn cash as the recovery in demand stalled. However, the vaccine news makes IATA estimate that airlines could achieve cash break-even towards the end of 2021.

- The global airline share price index rose in December 2020 but still lagged wider equity markets as the resurgence of the virus weighed on the travel demand recovery.

- Looking forward, the widespread availability of vaccines and implementation of successful testing regimes will be key for the recovery in travel demand and airline share prices.

In general, because the future of the COVID-19 pandemic is so unpredictable, the future of airline and air traffic recovery is extremely unpredictable as well.

Results of Operations

Comparison of Three Months Ended September 30, 2021 and 2020

The following table sets forth key components of our results of operations during the three-month periods ended September 30, 2021 and 2020.

	Three Months Ended September 30,		Change	
	2021	2020	$	%
Sales	$ 1,810,000	$ -	$ 1,810,000	100.0%
Cost of sales	1,807,100	-	1,807,100	100.0%
Operating expenses	1,676,214	1,556,729	119,485	7.7%
Loss from operations	(1,673,314)	(1,556,729)	(116,585)	7.5%
Net non-operating income (expense)	3,374,616	(813,222)	4,187,838	(515.0)%
Loss before income taxes	1,701,302	(2,369,951)	4,071,253	(171.8)%
Income tax expense	(12)	12	(24)	(200.0)%
Net Loss	1,701,314	(2,369,963)	4,071,277	(171.8)%
Other comprehensive income (loss)	(30,294)	(367,280)	336,986	(91.8)%
Total comprehensive loss	$ 1,671,020	(2,737,243)	$ 4,408,263	(161.0)%

Revenue. Our total revenues were $1,810,000 and $0 for the three-month periods ended September 30, 2021 and 2020, respectively. The sales of $1,810,000 for the three-month period ended September 30, 2021 was the sales of network hardware to a non-related party. The sales for the three-month period ended September 30, 2020 was $0 as we are still developing our core business in in-flight entertainment and connectivity and there was no non-recurring sale of equipment to related parties during the period.

Cost of sales. Our cost of sales were $1,807,100 and $0 for the three-month periods ended September 30, 2021 and 2020, respectively. The cost of sales of $1,807,100 for the three-month period ended September 30, 2021 was due to the sales of network hardware to a non-related party. The cost of sales for the three-month period ended September 30, 2020 was $0 as we did not have any sales during both periods.

Operating expenses. Our operating expenses consist primarily of compensation and benefits, professional advisor fees, research and development expenses, cost of promotion, business development, business travel, transportation costs, and other expenses incurred in connection with general operations. Our operating expenses increased by $119,485 to $1,676,214 for the three-month period ended September 30, 2021, from $1,556,729 for the three-month period ended September 30, 2020. Such increase was mainly due to the increase in equipment leasing, consulting expense as the result of the warrant re-valuation and payroll and related expenses of $210,000, $121,107 and $96,311, respectively, which was offset by the decrease in amortization expense, non-cash stock-based compensation expense and travel expense of $184,559, $121,107 and $94,935, respectively.

Net non-operating expense. We had $3,374,049 in net non-operating income for the three-month period ended September 30, 2021, as compared to net non-operating expense of $813,222 for the three-month period ended September 30, 2020. Net non-operating income in the three-month period ended September 30, 2021 mainly due to the $3,375,048 increase of fair value from our long-term investment, which was offset by the other financing cost from amortizing bond issuing costs. Net non-operating income in the three-month period ended September 30, 2020 represents a loss from allowance for other receivable, as explained under the Legal Proceedings section below, net interest expense and unrealized loss from the transactions of our liquidity contract of $1,155,623, $13,262 and $8,741, respectively, which was offset by the gain on foreign exchange translation of $335,831 and Covid-19 subsidy Aircom Japan received from Japanese government of $21,029.

Income (Loss) before income taxes. Our income before income taxes was $1,701,302, an increase of $4,071,277, for the three-month period ended September 30, 2021, from a loss of $2,369,963 for the three-month period ended September 30, 2020, as a result of the factors described above.

Total comprehensive Income (loss). As a result of the cumulative effect of the factors described above and a loss in foreign currency translation adjustment of $30,294, our total comprehensive income increased by $4,408,263 to $1,671,020 for the three-month period ended September 30, 2021, from the total comprehensive loss of $2,737,243 for the three-month period ended September 30, 2020.

Comparison of Nine Months Ended September 30, 2021 and 2020

The following table sets forth key components of our results of operations during the three-month periods ended September 30, 2021 and 2020.

	Nine Months Ended September 30,		Change	
	2021	**2020**	**$**	**%**
Sales	$ 1,882,000	$ -	$ 1,882,000	100.0%
Cost of sales	1,850,978	-	1,850,978	100.0%
Operating expenses	6,843,728	6,199,323	644,405	10.4%
Loss from operations	(6,812,706)	(6,199,323)	(613,383)	9.9%
Net non-operating income (expense)	2,753,250	(655,065)	3,408,315	(520.3)%
Loss before income taxes	(4,059,456)	(6,854,388)	2,794,932	(40.8)%
Income tax expense	3,257	3,275	(18)	(0.5)%
Net Loss	(4,062,713)	(6,857,663)	2,794,950	(40.8)%
Other comprehensive loss	(160,708)	(595,097)	434,389	(73.0)%
Total comprehensive loss	$ (4,223,421)	(7,452,760)	3,229,339	(43.3)%

Revenue. Our total revenue was $1,882,000 and $0 for the nine-month periods ended September 30, 2021 and 2020. Our total revenue of $1,882,000 for the nine-month period ended September 30, 2021 composed of the sales of ground antenna units to one of our related parties and sales of network hardware to a non-related party. Our total revenue was $0 for the nine-month period ended September 30, 2020 as we are still developing our core business in in-flight entertainment and connectivity and there was no non-recurring sale of equipment to related parties during the period.

Cost of sales. Our cost of sales was $1,850,978 and $0 for the nine-month periods ended September 30, 2021 and 2020. The cost of sales of $1,850,978 for the nine-month period ended September 30, 2021 was for the sales of ground antenna units to one of our related parties and sales of network hardware to a non-related party. The cost of sales for the nine-month period ended September 30, 2020 was $0 as we did not have any sales during the periods.

Operating expenses. Our operating expenses consist primarily of compensation and benefits, professional advisor fees, research and development expenses, cost of promotion, business development, business travel, transportation costs, and other expenses incurred in connection with general operations. Our operating expenses increased by $644,405 to $6,843,728 for the nine-month period ended September 30, 2021, from $6,199,323 for the nine-month period ended September 30, 2020. Such increase was mainly due to the increase in non-cash stock-based compensation expense, payroll and related expenses, equipment leasing and insurance expense of $824,775, $339,183, $210,000 and $154,693, respectively, which was offset by the decrease in consulting fees as the result of warrant re-valuation, travel expense and amortization expense of $756,360, $201,707 and $179,752, respectively. The increase in insurance expense was mainly related to the amortization of D&O insurance during the period.

Net non-operating expense. We had $2,753,250 in net non-operating income for the nine-month period ended September 30, 2021, as compared to net non-operating expense of $655,065 for the nine-month period ended September 30, 2020. Net non-operating income in the nine-month period ended September 30, 2021 mainly due to the $2,731,569 increase of fair value from our long-term investment. Net non-operating expense in the nine-month period ended September 30, 2020 represents a loss from allowance for other receivable, as explained under the Legal Proceedings section below, net interest expense and unrealized loss from the transactions of our liquidity contract of $1,155,623, $31,690 and $68,912, respectively, which was offset by a gain on foreign exchange translation of $551,591 and Covid-19 subsidy Aircom Japan received from Japanese government of $39,513.

Loss before income taxes. Our loss before income taxes decreased by $2,794,932 to $4,059,456 for the nine-month period ended September 30, 2021, from a loss of $6,854,388 for the nine-month period ended September 30, 2020, as a result of the factors described above.

Income tax expense. Income tax expense was $3,257 and $3,275 for the nine-month period ended September 30, 2021 and 2020, respectively, mainly due to California franchise tax and foreign subsidiary's income tax expenses.

Total comprehensive loss. As a result of the cumulative effect of the factors described above and a loss in foreign currency translation adjustment of $160,708, our total comprehensive loss decreased by $3,229,339 to $4,223,421 for the nine-month period ended September 30, 2021, from $7,452,760 for the nine-month period ended September 30, 2020.

Liquidity and Capital Resources

As of September 30, 2021, we had cash and cash equivalents of $3,308,135. To date, we have financed our operations primarily through cash proceeds from financing activities, including through our completed public offering, short-term borrowings and equity contributions by our stockholders.

The following table provides detailed information about our net cash flow:

Cash Flow

	Nine Months Ended September 30,	
	2021	**2020**
Net cash used for operating activities	$ (1,415,507)	$ (1,516,414)
Net cash used for investing activity	(63,010)	(213,074)
Net cash provided by financing activity	1,152,769	1,463,290
Net increase (decrease) in cash and cash equivalents	(325,748)	(266,198
Cash at beginning of year	3,794,591	976,829
Foreign currency translation effect on cash	(160,708)	(595,097
Cash at end of the periods	$ 3,308,135	$ 115,534

Operating Activities

Net cash used for operating activities was $1,415,507 for the nine months ended September 30, 2021, as compared to $1,516,414 for the nine months ended September 30, 2020. In addition to the net loss of $4,062,713, the increase in net cash used for operating activities during the nine-month period ended September 30, 2021 was mainly due to decrease in accounts payable and increase of prepaid expenses and other current assets of $309,712 and $46,248, respectively, offset by the increase in accrued expenses and other current liabilities, prepayment from customer and operating lease liability of $1,903,246, $1,231,200 and $43,464, respectively, and decrease in inventory of $50,332. In addition to the net loss of $6,857,663, the increase in net cash used for operating activities during the nine-month period ended September 30, 2020 was mainly due to increase in inventory of $1,992,153, which was offset by the decrease in accounts receivable and prepaid expenses and other current assets of $451,130 and 1,292,279, respectively, and increase in accounts payable, accrued expense and other current liabilities and operating lease liability of $961,610, $2,143,258 and $179,372, respectively.

Investing Activities

Net cash used for investing activities for the nine months ended September 30, 2021 was $62,298 as compared to $213,074 for the nine months ended September 30, 2020. The net cash used for investing activities for the nine months ended September 30, 2021 was mainly due to the purchase of property and equipment of $85,628, which was offset by the proceeds from disposal of property and equipment of $26,063. The net cash used for investing activities for the nine months ended September 30, 2020 was mainly for the purchase of trading securities of $184,150 and the purchase of property and equipment of $28,924.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2021 and 2020 was $1,152,769 and $1,463,290, respectively. Net cash provided by financing activities for the nine months ended September 30, 2021 was mainly attributable to the proceeds from short-term loans of $1,169,561. Net cash provided by financing activities for the nine months ended September 30, 2020 was mainly attributable to net proceeds from the borrowing of a short-term bank loan under the PPP program in the amount of $163,200 and short-term loans of $1,314,162.

On May 9, 2019, two of our current shareholders, whom we refer to as the Lenders, each committed to provide us with a $10 million bridge loan, or together, the Loans, for an aggregate principal amount of $20 million, to bridge our cash flow needs prior to our obtaining a mortgage loan to be secured by a parcel of our Taiwan land parcel which we have recently purchased. The Taiwan land parcel consists of approximately 6.36 acres of undeveloped land located at the Taishui Grottoes in the Xinyi District of Keelung City, Taiwan. Aerkomm Taiwan contracted to purchase the Taiwan land parcel for NT$1,056,297,507, or US$34,474,462, and as of July 3, 2019 we completed payment of the purchase price for the Taiwan land parcel in full. We are now waiting for title to the Taiwan land parcel to be transferred to us pending the completion of a local governmental land office re-titling process. The Loans will be secured by the Taiwan land parcel with the initial closing date of the Loans to be a date, designated by us, within 30 days following the date that the title for the Taiwan land parcel is fully transferred to and vested in our subsidiary, Aerkomm Taiwan. The Loans will bear interest, non-compounding, at the Bank of America Prime Rate plus 1%, annually, calculated on the actual number of days the Loans are outstanding and based on a 365-day year and will be due and payable upon the earlier of (1) the date of our obtaining a mortgage loan secured by the Taiwan land parcel with a principal amount of not less than $20 million and (2) one year following the initial closing date of the Loans. The Lenders also agreed to an earlier closing of up to 25% of the principal amounts of the Loans upon our request prior to the time that title to the Taiwan land parcel is transferred to our subsidiary, Aerkomm Taiwan, provided that we provide adequate evidence to the Lenders that the proceeds of such an earlier closing would be applied to pay our vendors. We, of course, cannot provide any assurances that we will be able to obtain a mortgage on the Taiwan land parcel once the acquisition is completed. As of the date of this annual report, we have not drawn down any portion of the Loans.

On July 10, 2018, in conjunction with our agreement to acquire the Taiwan land parcel, we entered into a binding letter of commitment with Metro Investment Group Limited, or MIGL, pursuant to which we agreed to pay MIGL an agent commission of four percent (4%) of the full purchase price of the Taiwan land parcel, equivalent to approximately US$1,387,127, for MIGL's services provided with respect to the acquisition. Under the terms of the initial with MIGL, we agreed to pay this commission no later than 90 days following payment in full of the Taiwan land parcel purchase price. On May 9, 2019, we amended the binding letter of commitment with MIGL to extend the payment to be paid after the full payment of the Land acquisition price until no later than December 31, 2020. If there is a delay in payment, we shall be responsible for punitive liquidated damages at the rate of one tenth of one percent (0.1%) of the commission per day of delay with a maximum cap to these damages of five percent (5%). Under applicable Taiwanese law, the commission was due and payable upon signing of the letter of commitment even if the contract is cancelled for any reason and the acquisition is not completed. We have recorded the estimated commission to the cost of land and will be paying the amount no later than December 31, 2021.

On December 3, 2020, the Company closed a private placement offering (the "Bond Offering") consisting of US$10,000,000 in aggregate principal amount of its Credit Enhanced Zero Coupon Convertible Bond due 2025 (the "Credit Enhanced Bonds") and US$200,000 in aggregate principal amount of its 7.5% convertible bonds due 2025 (the "Coupon Bonds," and together with the Credited Enhanced Bonds, the "Bonds").

Payments of principal, premium, interest in respect of the Credit Enhanced Bonds are protected by a bank guarantee denominated in U.S. dollars and issued by Bank of Panhsin Co., Ltd., based in Taiwan. Unless previously redeemed, converted or repurchased and canceled, the Credit Enhanced Bonds will be redeemed on December 2, 2025 at 105.11% of their principal amount and the Coupon Bonds will be redeemed on December 2, 2025 at 100% of their principal amount plus any accrued and unpaid interest. The Coupon Bonds will bear interest from and including December 2, 2020 at the rate of 7.5% per annum. Interest on the Coupon Bonds is payable semi-annually in arrears on June 1 and December 1 each year, commencing on June 1, 2021. Unless previously redeemed, converted or repurchased and cancelled, the Bonds may be converted at any time on or after December 3, 2020 up to November 20, 2025 into shares of Common Stock of the Company with a par value US$0.001 each (such shares of Common Stock, the "Conversion Shares"). The initial conversion price for the Bonds is US$13.30 per Conversion Share and is subject to adjustment in specified circumstances. Please refer to our Current Report on Form 8-K filed with SEC on December 4, 2020.

On December 31, 2020, we entered into an underwriting agreement (the "Underwriting Agreement") with Invest Securities SA ("Invest Securities") in connection with our public offering (the "2020/2021 Offering"), issuance and sale of up to 1,951,219 shares of our common stock on a best-efforts basis at the public offering price of €20.50 (approximately $25.07) per share, less underwriting discounts, for up to a maximum of €40 million (approximately $48.9 million). On December 31, 2020, we completed our first closing of the 2020/2021 Offering and issued an aggregate of 96,160 shares of our common stock for gross proceeds of €1.97 million (approximately $2.41 million), or net proceeds of €1.4 million (approximately $1.7 million). The Underwriting Agreement with Invest Securities has expired and we are currently exploring whether to attempt to extend the Underwriting Agreement with Invest Securities or engage a different investment banker to assist us in proceeding with the 2020/2021 Offering. We can provide no assurances, however, that we will be successful in these efforts.

We have not generated significant revenues, excluding non-recurring revenues from affiliates in the third quarter of fiscal 2021, and we will incur additional expenses as a result of being a public reporting company. For the nine-month period ended September 30, 2021, we incurred a comprehensive loss of $4,223,421 and had a negative working capital of $4,561,039 as of September 30, 2021. Currently, we have taken measures, as discussed above, that management believes will improve our financial position by financing activities, including through our ongoing public offering, short-term and long-term borrowings and fund raisings. However, there is no assurance that we will be successful in achieving our financial and business objectives. There are a number of factors that could potentially arise that could result in shortfalls in achieving the objectives in our business plan, such as general, worldwide economic conditions, the competitive pricing in the connectivity industry, the ongoing impact of the COVID-19 pandemic, our operating results continuing to deteriorate and our bank and shareholders not being able to provide continued financial support.

Capital Expenditures

Our operations continue to require significant capital expenditures primarily for technology development, equipment and capacity expansion. Capital expenditures are associated with the supply of airborne equipment to our prospective airline partners, which correlates directly to the roll out and/or upgrade of service to our prospective airline partners' fleets. Capital spending is also associated with the expansion of our network, ground stations and data centers and includes design, permitting, network equipment and installation costs.

Capital expenditures for the nine months ended September 30, 2021 and 2020 were $62,298 and $213,074, respectively.

We anticipate an increase in capital spending in our fiscal year ended December 31, 2021 and estimate that capital expenditures will range from $10 million to $50 million as we begin airborne equipment installations and continue to execute our expansion strategy. We expect to raise these funds through our planned public offering, the registration statement for which is currently under review by the SEC, and/or through other sources of equity or debt financings. There can be no assurance, however, that our planned public offering will proceed successfully, if at all, or that we will be able to raise the required funds through other means on acceptable terms to us, if at all.

Inflation

Inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future. However, our management will closely monitor price changes in our industry and continually maintain effective cost control in operations.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

Seasonality

Our operating results and operating cash flows historically have not been subject to significant seasonal variations. This pattern may change, however, as a result of new market opportunities or new product introductions.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements:

Concentrations of Credit Risk. Financial instruments that potentially subject to significant concentrations of credit risk consist primarily of cash in banks. As of September 30, 2021 and December 31, 2020, the total balance of cash in bank was fully insured by the Federal Deposit Insurance Corporation (FDIC) for the Company was approximately $0 and $0, respectively. The balance of cash deposited in foreign financial institutions exceeding the amount insured by local insurance is approximately $3,111,000 and $3,514,000 as of September 30, 2021 and December 31, 2020, respectively. We perform ongoing credit evaluation of its customers and requires no collateral. An allowance for doubtful accounts is provided based on a review of the collectability of accounts receivable. We determine the amount of allowance for doubtful accounts by examining its historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies. Actual credit losses may differ from management's estimates.

Short-term investment. Our short-term investment securities are classified as trading security. The securities are stated at fair value within current assets on the Company's condensed balance sheets. Fair value is calculated based on publicly available market information or other estimates determined by the management. Changes in fair value are recorded in current income.

Inventories. Inventories are recorded at the lower of weighted-average cost or net realizable value. We assess the impact of changing technology on our inventory on hand and writes off inventories that are considered obsolete. Estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investment. Holdings of marketable equity securities with less than 20% of ownership of the investee. Marketable equity securities include equity securities which are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported under non-operating income in our statement of income. The cost of the securities sold is based on the weighted average cost method. Stock dividends from the investment are included to recalculate the cost basis of the investment based on the total number of shares. Holdings of more than 20% of non-marketable equity securities are accounted for using the equity method. If there is decrease in level of ownership or degree of influence, the investment may no longer qualify for the equity method.

Holdings of more than 20% of non-marketable equity securities are accounted for using the equity method. If there is decrease in level of ownership or degree of influence, the investment may no longer qualify for the equity method.

Investments are considered to be impaired when a decline in fair value is judged to be other than temporary. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, as well as its intent and ability to hold the investment, for recording an impairment loss.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation. When value impairment is determined, the related assets are stated at the lower of fair value or book value. Significant additions, renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed by using the straight-line and double declining methods over the following estimated service lives: ground station equipment – 5 years, computer equipment - 3 to 5 years, furniture and fixtures - 5 years, satellite equipment – 5 years, vehicles – 5 years and lease improvement – 5 years. Upon sale or disposal of property and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to income in the period of sale or disposal. We review the carrying amount of property and equipment for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We determined that there was no impairment loss for the nine-month periods ended September 30, 2021 and 2020.

Right-of-Use Asset and Lease Liability. In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842) (“ASU 2016-02”), which modifies lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases and finance leases under previous accounting standards and disclosing key information about leasing arrangements. A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases and finance leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments by discount rates. The Company’s lease discount rates are generally based on its incremental borrowing rate, as the discount rates implicit in the Company’s leases is readily determinable. Operating leases are included in operating lease right-of-use assets and lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment and lease liability in our consolidated balance sheets. Lease expense for operating expense payments is recognized on a straight-line basis over the lease term. Interest and amortization expenses are recognized for finance leases on a straight-line basis over the lease term. For the leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. We adopted ASU 2016-02 effective January 1, 2019.

Goodwill and Purchased Intangible Assets. Goodwill represents the amount by which the total purchase price paid exceeded the estimated fair value of net assets acquired from acquisition of subsidiaries. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. Purchased intangible assets with finite life are amortized on the straight-line basis over the estimated useful lives of respective assets. Purchased intangible assets with indefinite life are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Purchased intangible asset consists of satellite system software and is amortized over 10 years.

Fair Value of Financial Instruments. We utilize the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 - Inputs to the valuation methodology are unobservable inputs based upon management’s best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

The carrying amounts of the Company’s cash and restricted cash, accounts payable, short-term loan and other payable approximated their fair value due to the short-term nature of these financial instruments. The Company’s short-term investment and long-term investment are classified within Level 1 of the fair value hierarchy on September 30, 2021. The Company’s long-term bonds payable, long-term loan and lease payable approximated the carrying amount as its interest rate is considered as approximate to the current rate for comparable loans and leases, respectively. There were no outstanding derivative financial instruments as of September 30, 2021.

Revenue Recognition**.** We recognize revenue when performance obligations identified under the terms of contracts with our customers are satisfied, which generally occurs upon the transfer of control in accordance with the contractual terms and conditions of the sale. Our revenue for the nine months ended September 30, 2021 composed of the sales of ground antenna units to one of our related parties and sales of network hardware to a non-related party. The majority of our revenue is recognized at a point in time when product is shipped or service is provided to the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods, which includes estimates for variable consideration. We adopted the provisions of ASU 2014-09 Revenue from Contract with Customers (Topic 606) and the principal versus agent guidance within the new revenue standard. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenue when (or as) we satisfy a performance obligation.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Adjustments to prior period’s income tax liabilities are added to or deducted from the current period’s tax provision.

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal, state and foreign jurisdictions where it conducts business. It is not subject to income tax examinations by US federal, state and local tax authorities for years before 2017. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its consolidated financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the consolidated statement of operations.

Foreign Currency Transactions. Foreign currency transactions are recorded in U.S. dollars at the exchange rates in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each period, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in income for the period.

Translation Adjustments. If a foreign subsidiary's functional currency is the local currency, translation adjustments will result from the process of translating the subsidiary's financial statements into the reporting currency of our company. Such adjustments are accumulated and reported under other comprehensive income (loss) as a separate component of stockholders' equity.

Earnings (Loss) Per Share. Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include stock warrants and outstanding stock options, shares to be purchased by employees under the Company's employee stock purchase plan.

Subsequent Events. The Company has evaluated events and transactions after the reported period up to November 19, 2021, the date on which these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2021 have been included in these consolidated financial statements.

Recent Accounting Pronouncements

<u>Simplifying the Accounting for Debt with Conversion and Other Options.</u>

In June 2020, the FASB issued ASU 2020-06 to simplify the accounting in ASC 470, Debt with Conversion and Other Options and ASC 815, Contracts in Equity's Own Entity. The guidance simplifies the current guidance for convertible instruments and the derivatives scope exception for contracts in an entity's own equity. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. This ASU will be effective beginning in the first quarter of the Company's fiscal year 2022. Early adoption is permitted. The amendments in this update must be applied on either full retrospective basis or modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements and related disclosures, as well as the timing of adoption.

<u>Simplifying the Accounting for Income Taxes</u>

In December 2019, the FASB issued ASU 2019-12 to simplify the accounting in ASC 740, Income Taxes. This guidance removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU will be effective beginning in the first quarter of the Company's fiscal year 2021. Early adoption is permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. The Company is currently evaluating the impact this ASU will have on the financial statements and related disclosures, as well as the timing of adoption.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which modifies the measurement of expected credit losses of certain financial instruments. In February 2020, the FASB issued ASU 2020-02 and delayed the effective date of ASU 2016-13 until fiscal year beginning after December 15, 2022. The Company is currently evaluating the impact of adopting ASU 2016-13 on its consolidated financial statements.

Earnings Per Share

In April 2021, the FASB issued ASU 2021-04, which included Topic 260 “Earnings Per Share”. This guidance clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the FASB Codification. The ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2021-04 on its consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(e) of the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of September 30, 2021.

Based upon, and as of the date of this evaluation, our chief executive officer and chief financial officer determined that, because of the material weaknesses described in Item 9A “Controls and Procedures” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on March 24, 2021, and further referenced below, which we are still in the process of remediating as of September 30, 2021, our disclosure controls and procedures were not effective.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

During its evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2021, our management identified the following material weaknesses:

- We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements. To mitigate the current limited resources and limited employees, we rely heavily on the use of external legal and accounting professionals.

In order to cure the foregoing material weakness, we have taken or plan to take the following remediation measures:

- On November 5, 2018, we added a staff accountant with a CPA and technical accounting expertise to further support our current accounting personnel. As necessary, we will continue to engage consultants or outside accounting firms in order to ensure proper accounting for our consolidated financial statements.

We intend to complete the remediation of the material weakness discussed above as soon as practicable, but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weakness that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

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. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other than in connection with the implementation of the remedial measures described above, there were no changes in our internal controls over financial reporting during quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There were no material developments during the quarter ended September 30, 2021 to the legal proceedings previously disclosed in Item 3 "Legal Proceedings" of our Annual Report on Form 10-K filed on March 24, 2021.

ITEM 1A. RISK FACTORS.

For information regarding additional risk factors, please refer to our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 24, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We have not sold any equity securities during the quarter ended September 30, 2021 that were not previously disclosed in a current report on Form 8-K that was filed during the quarter.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

We have no information to disclose that was required to be in a report on Form 8-K during the quarter ended September 30, 2021 but was not reported. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

ITEM 6. EXHIBITS.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated September 26, 2013, between Aerkomm Inc. and Maple Tree Kids LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1 filed on November 5, 2013)
2.2	Form of Share Exchange Agreement, dated February 13, 2017, among Aerkomm Inc., Aircom Pacific, Inc. and the shareholders of Aircom Pacific, Inc. (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed on February 14, 2017)
3.1	Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 4, 2017)
3.2	Certificate of Change Pursuant to NRS 78.209 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January 16, 2019)
3.3	Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed on March 30, 2020)
31.1*	Certifications of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

† Executive Compensation Plan or Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 22, 2021

AERKOMM INC.

/s/ *Louis Giordimaina*

Name: Louis Giordimaina
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ *Y. Tristan Kuo*

Name: Y. Tristan Kuo
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Louis Giordimaina, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerkomm Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2021

/s/ Louis Giordimaina

Louis Giordimaina
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Y. Tristan Kuo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerkomm Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2021

/s/ Y. Tristan Kuo
Y. Tristan Kuo
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Louis Giordimaina, the Chief Executive Officer of AERKOMM INC. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 22nd day of November, 2021.

/s/ Louis Giordimaina
Louis Giordimaina
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Aerkomm Inc. and will be retained by Aerkomm Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Y. Tristan Kuo, the Chief Financial Officer of AERKOMM INC. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 22nd day of November, 2021.

/s/ Y. Tristan Kuo
Y. Tristan Kuo
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Aerkomm Inc. and will be retained by Aerkomm Inc. and furnished to the Securities and Exchange Commission or its staff upon request.