

REFINITIV

DELTA REPORT

10-Q

FCUV - FOCUS UNIVERSAL INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1495

█	CHANGES	161
█	DELETIONS	849
█	ADDITIONS	485

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly period ended **September 30, 2023** **March 31, 2024**

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

Commission File No. **001-40770** **000-55247**

FOCUS UNIVERSAL INC.

(Exact Name of Small Business Issuer as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation)

46-3355876

(IRS Employer File Number)

2311 E. Locust Court, Ontario, CA

(Address of principal executive offices)

91761

(Zip Code)

((626) 626) 272-3883

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	FCUV	The Nasdaq Stock Market LLC (Nasdaq Global Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 (Section 232.405 of this chapter) during the preceding 12 months (or 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 complying 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 14, 2023** **May 15, 2024**, registrant had **64,821,817** **64,771,817** shares outstanding of the registrant's common stock at a par value of \$0.001 per share.

FORM 10-Q

FOCUS UNIVERSAL INC.

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PART I. FINANCIAL INFORMATION

References in this document to "us," "we," or "Company" refer to Focus Universal Inc.

ITEM 1. FINANCIAL STATEMENTS

FOCUS UNIVERSAL INC. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2023	December 31, 2022		
	(Unaudited)			
ASSETS				
Current Assets:				
Cash	\$ 1,408,687	\$ 4,343,426		
Accounts receivable, net	172,903	78,313		
Accounts receivable – related party	–	34,507		
Inventory	299,973	103,772		
Other receivables	10,000	–		
Prepaid expenses	109,941	142,342		
Marketable equity securities	39,165	105,470		
Total Current Assets	<u>2,040,669</u>	<u>4,807,830</u>		
Property and equipment, net	4,119,973	4,228,630		
Operating lease right-of-use assets	214,900	253,336		
Deposits	23,420	33,264		
Total Assets	<u>\$ 6,398,962</u>	<u>\$ 9,323,060</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 285,206	\$ 267,685		
Related party loan	1,000,000	–		
Treasury stock payable	–	1,000,000		
Other current liabilities	40,255	6,496		
Lease liabilities, current portion	84,036	113,058		
Total Current Liabilities	<u>1,409,497</u>	<u>1,387,239</u>		
Non-Current Liabilities:				
Lease liabilities, less current portion	122,959	165,952		
Other liability	12,335	12,335		
Total Non-Current Liabilities	<u>135,294</u>	<u>178,287</u>		
Total Liabilities	<u>1,544,791</u>	<u>1,565,526</u>		
Contingencies (Note 13)				
Stockholders' Equity:				

Common stock, par value \$0.001 per share, 75,000,000 shares authorized; 64,771,817 and 65,296,383 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	64,771	65,297
Treasury stock at cost (1,183,040 shares and 400,000 shares held at September 30, 2023 and December 31, 2022, respectively)	(385,686)	(2,000,000)
Additional paid-in capital	26,100,446	27,514,733
Shares to be issued, common shares	46,100	48,075
Accumulated deficit	(20,964,470)	(17,864,028)
Accumulated other comprehensive loss	(6,990)	(6,543)
Total Stockholders' Equity	4,854,171	7,757,534
Total Liabilities and Stockholders' Equity	\$ 6,398,962	\$ 9,323,060

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

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current Assets:		
Cash	\$ 78,836	\$ 428,254
Accounts receivable, net	84,164	164,398
Inventory	407,357	282,071
Other receivables	–	20,519
Prepaid expenses	110,236	96,301
Marketable equity securities	35,260	36,735
Total Current Assets	715,853	1,028,278
Property and equipment, net	4,049,652	4,080,663
Operating lease right-of-use asset	176,038	201,048
Deposits	23,655	24,135
Total Assets	\$ 4,965,198	\$ 5,334,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 748,023	\$ 482,523
Related party loan	1,300,000	1,000,000
Short-term loan	250,000	–
Other current liabilities	153,908	84,951
Lease liability, current portion	96,517	90,172
Total Current Liabilities	2,548,448	1,657,646
Non-Current Liabilities:		
Lease liability, less current portion	43,470	118,517
Other liability	12,335	12,335
Total Non-Current Liabilities	55,805	130,852

Total Liabilities	2,604,253	1,788,498
Contingencies		
Stockholders' Equity:		
Common stock, par value \$0.001 per share, 75,000,000 shares authorized; 64,771,817 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
Treasury stock at cost (1,163,040 shares held at March 31, 2024 and December 31, 2023, respectively)	64,771	64,771
Additional paid-in capital	(434,048)	(434,048)
Shares to be issued, common shares	26,473,156	26,436,161
Accumulated deficit	169,386	74,476
Accumulated other comprehensive loss	(23,897,767)	(22,582,170)
Total Stockholders' Equity	(14,553)	(13,564)
Total Liabilities and Stockholders' Equity	<u>2,360,945</u>	<u>3,545,626</u>
	<u>\$ 4,965,198</u>	<u>\$ 5,334,124</u>

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Uaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	\$ 318,370	\$ 54,686	\$ 769,856	\$ 242,675
Revenue	\$ 318,370	\$ 54,686	\$ 769,856	\$ 242,675
Revenue - related party	—	5,968	—	39,788
Total Revenue	318,370	60,654	769,856	282,463
Cost of Revenue	201,394	42,441	531,397	243,004
Gross Profit	116,976	18,213	238,459	39,459
Operating Expenses:				
Selling expense	33,636	76,984	108,570	132,871
Compensation - officers and directors	267,002	265,449	827,939	874,739
Research and development	305,872	133,109	925,345	862,214
Professional fees	132,914	150,943	506,878	686,150
General and administrative	407,851	365,694	1,212,486	1,586,660
Total Operating Expenses	1,147,275	992,179	3,581,218	4,142,634
Loss from Operations	(1,030,299)	(973,966)	(3,342,759)	(4,103,175)
Other Income (Expense):				
Interest income (expense), net	(3,035)	2,635	27,519	2,885
Gain on bargain purchase	—	—	61,747	—
Unrealized gain (loss) on marketable equity securities	(17,102)	42,101	10,463	(32,525)
Realized gain (loss) on marketable equity securities	12,247	(31,486)	(2,002)	(21,205)
Rental income	40,731	39,172	121,024	117,513
Other income (expense), net	29,425	(20,476)	23,566	164,260
Total other income, net	62,266	31,946	242,317	230,928
Loss before income taxes	(968,033)	(942,020)	(3,100,442)	(3,872,247)
Income tax expense	—	—	—	—
Net Loss	<u>\$ (968,033)</u>	<u>\$ (942,020)</u>	<u>\$ (3,100,442)</u>	<u>\$ (3,872,247)</u>
Other comprehensive items				
Foreign currency translation gain (loss)	(239)	4,596	(447)	121
Total comprehensive loss	<u>\$ (968,272)</u>	<u>\$ (937,424)</u>	<u>\$ (3,100,889)</u>	<u>\$ (3,872,126)</u>

Weight Average Number of Common Shares				
Outstanding: Basic and Diluted	<u>65,171,817</u>	<u>65,193,654</u>	<u>58,678,098</u>	<u>65,035,833</u>
Net Loss per common share: Basic and Diluted	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>	\$ <u>(0.05)</u>	\$ <u>(0.06)</u>

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

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,	
	2024	2023
Revenue	\$ 219,158	\$ 236,095
Cost of Revenue	<u>219,357</u>	<u>180,744</u>
 Gross Profit (Loss)	 (199)	 55,351
 Operating Expenses:		
Selling expense	39,285	11,859
Compensation - officers	56,793	307,534
Research and development	343,277	276,481
Professional fees	352,611	257,399
General and administrative	<u>527,645</u>	<u>443,052</u>
Total Operating Expenses	<u>1,319,611</u>	<u>1,296,325</u>
 Loss from Operations	 (1,319,810)	 (1,240,974)
 Other Income (Expense):		
Interest income (expense), net	(1,253)	14,436
Interest (expense) - related party	(33,000)	–
Unrealized gain (loss) on marketable equity securities	(1,475)	32,570
Realized loss on marketable equity securities	–	(14,901)
Rental income	41,145	39,952
Other income (expense), net	<u>(1,204)</u>	<u>54,674</u>
Total other income	<u>4,213</u>	<u>126,731</u>
 Net Loss	 <u>\$ (1,315,597)</u>	 <u>\$ (1,114,243)</u>
 Other comprehensive items		
Foreign currency translation gain and (loss)	<u>(989)</u>	<u>(6,539)</u>
 Total comprehensive loss	 <u>\$ (1,316,586)</u>	 <u>\$ (1,120,782)</u>
 Weight Average Number of Common Shares Outstanding: Basic and Diluted	 <u>64,771,817</u>	 <u>45,149,834</u>
 Net Loss per common share: Basic and Diluted	 <u>\$ (0.02)</u>	 <u>\$ (0.02)</u>

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

FOCUS UNIVERSAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Uaudited)

Description	Common stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – June 30, 2023	64,771,817	\$ 64,771	\$ (420,686)	\$ 25,967,044	\$ 31,400	\$ (19,996,437)	\$ (6,751)	\$ 5,639,341
Stock based compensation - options	–	–	–	133,402	–	–	–	133,402
Stock based compensation - shares	–	–	–	–	14,700	–	–	14,700
Amendment stock purchase agreement – treasury stock	–	–	35,000	–	–	–	–	35,000
Other comprehensive income	–	–	–	–	–	–	(239)	(239)
Net loss	–	–	–	–	–	(968,033)	–	(968,033)
Balance – September 30, 2023	64,771,817	\$ 64,771	\$ (385,686)	\$ 26,100,446	\$ 46,100	\$ (20,964,470)	\$ (6,990)	\$ 4,854,171
Balance – June 30, 2022*	65,120,276	\$ 65,120	\$ –	\$ 26,458,717	\$ 684,920	\$ (15,867,318)	\$ 117	\$ 11,341,556
Stock based compensation - options	82,347	82	–	195,669	–	–	–	195,751
Stock based compensation - shares	90,750	91	–	642,789	(663,900)	–	–	(21,020)
Purchase of treasury stock	–	–	(2,000,000)	–	–	–	–	(2,000,000)
Other comprehensive income	–	–	–	–	–	–	4,596	4,596
Net loss	–	–	–	–	–	(942,020)	–	(942,020)
Balance – September 30, 2022*	65,293,373	\$ 65,293	\$ (2,000,000)	\$ 27,297,175	\$ 21,020	\$ (16,809,338)	\$ 4,713	\$ 8,578,863

(continued)

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022
(Uaudited)(UNAUDITED)

Description	Common stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – December 31, 2022*	<u>65,296,383</u>	<u>\$ 65,297</u>	<u>\$ (2,000,000)</u>	<u>\$ 27,514,733</u>	<u>\$ 48,075</u>	<u>\$ (17,864,028)</u>	<u>\$ (6,543)</u>	<u>\$ 7,757,534</u>
Stock based compensation - options	–	–	–	400,208	–	–	–	400,208
Stock based compensation – cashless exercise options	10,857	10	–	(10)	–	–	–	–
Stock based compensation - shares	62,250	62	–	184,917	(1,975)	–	–	183,004
Purchase of treasury stock	–	–	(420,686)	–	–	–	–	(420,686)
Retirement of treasury stock	(600,000)	(600)	2,000,000	(1,999,400)	–	–	–	–
Amendment stock purchase agreement – treasury stock	–	–	35,000	–	–	–	–	35,000
Other comprehensive income	–	–	–	–	–	–	(447)	(447)
Issued stock dividend	2,327	2	–	(2)	–	–	–	–
Net loss	–	–	–	–	–	(3,100,442)	–	(3,100,442)
Balance – September 30, 2023	<u>64,771,817</u>	<u>\$ 64,771</u>	<u>\$ (385,686)</u>	<u>\$ 26,100,446</u>	<u>\$ 46,100</u>	<u>\$ (20,964,470)</u>	<u>\$ (6,990)</u>	<u>\$ 4,854,171</u>
Balance – December 31, 2021*	<u>64,889,612</u>	<u>\$ 64,889</u>	<u>\$ –</u>	<u>\$ 24,071,445</u>	<u>\$ 1,922,753</u>	<u>\$ (12,937,091)</u>	<u>\$ (4)</u>	<u>\$ 13,121,992</u>
Stock based compensation - options	82,347	82	–	652,419	–	–	–	652,501
Stock based compensation - shares	90,750	91	–	642,789	21,020	–	–	663,900
Purchase of treasury stock	–	–	(2,000,000)	–	–	–	–	(2,000,000)
Common stock issued for this period service	1,337	1	–	7,999	–	–	–	8,000
Common stock issued for prior period service	47,604	48	–	146,661	(146,709)	–	–	–
Common stock issued for cashless exercise of warrants	181,723	182	–	1,775,862	(1,776,044)	–	–	–
Other comprehensive income	–	–	–	–	–	–	4,717	4,717
Net loss	–	–	–	–	–	(3,872,247)	–	(3,872,247)
Balance – September 30, 2022*	<u>65,293,373</u>	<u>\$ 65,293</u>	<u>\$ (2,000,000)</u>	<u>\$ 27,297,175</u>	<u>\$ 21,020</u>	<u>\$ (16,809,338)</u>	<u>\$ 4,713</u>	<u>\$ 8,578,863</u>

Description	Common stock Shares	Common stock Amount	Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance – December 31, 2023	64,771,817	\$ 64,771	\$ (434,048)	\$ 26,436,161	\$ 74,476	\$ (22,582,170)	\$ (13,564)	\$ 3,545,626
Stock based compensation – options	–	–	–	36,995	–	–	–	36,995
Stock based compensation – shares	–	–	–	–	94,910	–	–	94,910
Other comprehensive income	–	–	–	–	–	–	(989)	(989)
Net loss	–	–	–	–	–	(1,315,597)	–	(1,315,597)
Balance – March 31, 2024	<u>64,771,817</u>	<u>\$ 64,771</u>	<u>\$ (434,048)</u>	<u>\$ 26,473,156</u>	<u>\$ 169,386</u>	<u>\$ (23,897,767)</u>	<u>\$ (14,553)</u>	<u>\$ 2,360,945</u>

Description	Common stock Shares	Common stock Amount	Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance – December 31, 2022 *	65,296,383	\$ 65,297	\$ (2,000,000)	\$ 27,514,733	\$ 48,075	\$ (17,864,028)	\$ (6,543)	\$ 7,757,534
Stock based compensation – options	–	–	–	133,403	–	–	–	133,403
Stock based compensation – cashless exercise options	10,857	10	–	(10)	–	–	–	–
Stock based compensation – shares	62,250	62	–	184,917	(35,575)	–	–	149,404
Retirement of treasury stock	(600,000)	(600)	2,000,000	(1,999,400)	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	3,675	3,675
Net loss	–	–	–	–	–	(1,114,243)	–	(1,114,243)
Balance – March 31, 2023	<u>64,769,490</u>	<u>\$ 64,769</u>	<u>\$ –</u>	<u>\$ 25,833,643</u>	<u>\$ 12,500</u>	<u>\$ (18,978,271)</u>	<u>\$ (2,868)</u>	<u>\$ 6,929,773</u>

*Retroactively applied to the stock split

* Retroactively applied to the stock split

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

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Uaudited)(UNAUDITED)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (3,100,442)	\$ (3,872,247)
Adjustments to reconcile net loss to net cash from operating activities:		
Bad debt expense	6,871	72,108
Inventory fair value net realizable	–	(21,133)
Depreciation expense	127,171	123,908
Amortization of intangible assets	28,741	–
Unrealized (gain) loss on marketable equity securities	(10,463)	32,525
Realized loss on marketable equity securities	2,002	21,205
SBA loan forgiveness	–	(158,547)
Gain on bargain purchase	(61,747)	–
Stock-based compensation – shares	183,004	671,901
Stock-based compensation – options	400,208	652,500
Changes in operating assets and liabilities:		
Accounts receivable	(101,461)	(32,257)
Accounts receivable - related party	34,507	(45,413)
Inventory	(196,201)	(5,087)
Other receivables	(10,000)	–
Prepaid expenses	31,811	116,648
Deposit	8,388	1,998
Operating lease right-of-use assets	25,585	226,468
Accounts payable and accrued liabilities	53,709	(120,121)
Other current liabilities	33,759	(17,406)
Lease liabilities	(58,987)	(94,542)
Other liabilities	–	12,335
Net cash flows used in operating activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (2,603,545)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (2,435,157)
Cash flows from investing activities:		
Purchase of property and equipment	(20,294)	(39,193)
Purchase of marketable securities	(144,907)	(768,949)
Proceeds from sale of marketable securities	219,673	630,404
Net cash flows provided by (used in) investing activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 54,472	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (177,738)
Cash flows from financing activities:		
Proceeds from related party loan	1,000,000	–
Purchase of treasury stock	(1,385,686)	–
Net cash flows used in financing activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (385,686)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> –
Effect of exchange rate	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 20	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (3,352)

	(2,934,739)	(2,616,247)
Cash beginning of period	<u>4,343,426</u>	<u>8,678,665</u>
Cash end of period	<u>\$ 1,408,687</u>	<u>\$ 6,062,418</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes	<u>\$ –</u>	<u>\$ –</u>
Cash paid for interest	<u>\$ 13,142</u>	<u>\$ 8,794</u>
Supplemental disclosure for noncash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 264,641</u>	<u>\$ –</u>
Treasury stock payable	<u>\$ –</u>	<u>\$ 2,000,000</u>
Cashless exercise of options	<u>\$ 41,401</u>	<u>\$ 612,662</u>
For the Three Months Ended March 31,		
	2024	2023
Cash flows from operating activities:		
Net Loss	\$ (1,315,597)	\$ (1,114,243)
Adjustments to reconcile net loss to net cash from operating activities:		
Bad debt expense	7,629	5,114
Depreciation expense	35,330	42,041
Amortization of intangible assets	–	28,741
Unrealized gain on marketable equity securities	1,475	(32,570)
Realized loss on marketable equity securities	–	14,901
Gain on bargain purchase	–	(61,747)
Stock-based compensation – shares	94,910	149,404
Stock option compensation – options	36,995	133,403
Changes in operating assets and liabilities:		
Accounts receivable	72,605	8,832
Accounts receivable - related party	–	34,507
Inventory	(125,286)	13,109
Other receivable	20,435	–
Prepaid expenses	(14,041)	(80,511)
Deposit	–	8,617
Operating lease right-of-use asset	21,039	(16,075)
Accounts payable and accrued liabilities	268,420	(20,011)
Other current liabilities	68,957	98,838
Lease liabilities	(64,960)	(50,885)
Net cash flows used in operating activities	<u>(892,089)</u>	<u>(838,535)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,044)	(9,920)
Purchase of marketable securities	–	(17,690)

Proceeds from sale of marketable securities	—	89,434
Net cash flows provided by (used in) investing activities	<u>(5,044)</u>	<u>61,824</u>
Cash flows from financing activities:		
Proceeds from short-term loan	300,000	—
Proceeds from related party loan	300,000	—
Repayment on third party loan	(50,000)	—
Purchase of treasury stock	—	(1,000,000)
Net cash flows provided by (used in) financing activities	<u>550,000</u>	<u>(1,000,000)</u>
Effect of exchange rate	<u>(2,285)</u>	<u>3,760</u>
Net change in cash	<u>(349,418)</u>	<u>(1,772,951)</u>
Cash beginning of period	<u>428,254</u>	<u>4,343,426</u>
Cash end of period	<u>\$ 78,836</u>	<u>\$ 2,570,475</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
Cash paid for interest	<u>\$ 33,816</u>	<u>\$ 4,085</u>
Supplemental disclosure for noncash financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ —</u>	<u>\$ 270,481</u>

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

FOCUS UNIVERSAL INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE **AND NINE** MONTHS ENDED **SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022**
(UNAUDITED)

Note 1 – Organization and Operations

Focus Universal Inc. (the “Company”) was incorporated under the laws of the State of Nevada on December 4, 2012. It is a universal smart instrument developer and manufacturer, headquartered in Ontario, California, specializing in the development and commercialization of novel and proprietary universal smart technologies and instruments. Focus Universal Inc. is also a provider of patented hardware and software design technologies for Internet of Things (IoT) and 5G. The Company has developed what it believes are five disruptive patented technology platforms with 26 patents and patents pending in various phases and 8 trademarks pending in various phases to solve what it believes are the major problems facing hardware and software design and production within the industry today. These technologies combined have the potential to reduce costs, product development timelines and energy usage while increasing range, speed, efficiency, and security of the IoT and 5G networks.

The Company has multiple subsidiaries, including Perfecular Inc. (“Perfecular”), Focus Universal (Shenzhen) Technology Company LTD (“Focus Shenzhen”), AVX Design & Integration, Inc. (“AVX,” also doing business as Smart AVX (“Smart AVX”)), Lusher Bioscientific, Inc. (“Lusher”), and AT Tech Systems LLC (“AT Tech Systems”). Perfecular, a wholly owned subsidiary of Focus that was founded in September 2009 and is headquartered in Ontario, California, is engaged in designing digital sensor products and selling a broad selection of horticultural sensors and filters in North America and Europe. AVX, incorporated on June 16, 2000 in the state of California, is an IoT installation and management company specializing in high performance and easy to use audio/video systems, home theaters, lighting control, automation and integration. Services provided by AVX include full integration of houses, apartments, commercial complexes, and office spaces with audio, visual and control systems to fully integrate devices in the low voltage field, specializing in high end residential smart IoT install installation projects in areas throughout the Southern California area. AVX’s services also include partial equipment upgrade and installation. AVX also markets and sells our IoT Products, such as high end LED, live wall panel products and cameras, under the Smart AVX name.

On December 23, 2021, Focus Shenzhen was founded as a mainland China office for manufacturing procurement expertise and support research and development activities. Focus Shenzhen is designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region China and as a lower cost form of support, research and development as engineers are more plentiful bound in the region China. During the third quarter of 2023, this office has continued to grow and increase its headcount to 28 employees. Employees of Focus Shenzhen are added to the engineering staff, the sales staff, and the marketing and market analysis staff in house to enhance the internal capabilities of the Company.

As of January 6, 2023, AT Tech Systems is a subsidiary of Focus specializing in commercial and industrial smart IoT install installation projects in areas throughout the Southern California area California. AT Tech Systems has several clients from including medical/dental facilities and commercial and industrial projects, including and several with notable manufacturers and wholesalers, and provides clients with integrated network, security, and multimedia design solutions and technology systems.

The Company has completed integration throughout its existing businesses, including key employees serving dual roles with its subsidiaries. For example, Mr. Anthony Tejeda serves as the Company’s director of installation services, as the vice president of operations of AVX, and as chief operating officer of AT Tech Systems.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed financial statements of the Company for the three months ended March 31, 2024 and 2023 have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the Company’s financial position and results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2023 was derived from the audited financial statements included in the Company’s financial statements as of and for the years ended December 31, 2023 and 2022 contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on April 1, 2024. These financial statements should be read in conjunction with that report.

The accompanying unaudited condensed consolidated financial statements include the accounts of Focus and its wholly-owned subsidiaries, Perfecular, AVX, Focus Shenzhen, Lusher and AT Tech Systems (collectively, the “Company,” “we,” “our,” or “us”). All intercompany balances and transactions have been eliminated upon consolidation. The Company’s unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Segment Reporting

The Company currently has two operating segments. In accordance with ASC 280, *Segment Reporting* (“ASC 280”), the Company considers operating segments to be components of the Company’s business for which separate financial information is available and evaluated regularly by Management in deciding how to allocate resources and to assess performance. Management reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has three operating and reportable segments. First, The Company consists of three types of operations. (1) Focus and Focus Shenzhen collectively operate our “Corporate and R&D” segment, which involves the non-specific financing, executive expense, operations and investor relations of our public entity, and the general shared management and costs across the Company’s subsidiaries that spread across all functional categories and research and development of technology products. Second, (2) Perficular, AVX (doing business as and branded under Smart AVX) and Lusher jointly operate the “IoT Products” segment, which involves the wholesale, marketing, and production of our universal smart instruments and devices in the hydroponic and controlled agriculture segments and of our smart products into the commercial and home automation sectors. And third, (3) AVX (exclusive of the smart IoT Products sales under Smart AVX) and AT Tech Systems cooperatively run our “IoT Installation Services” segment, which handles our IoT installation and management business specializing in high performance and easy to use audio/video systems, home theaters, lighting control, automation, and integration.

Use of Estimates

The preparation of unaudited condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources.

The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates in the accompanying financial statements include the lease term impacting right-of-use asset with the estimate discount rate and lease liability, useful lives of property and equipment, useful lives of intangible assets, allowance for doubtful accounts, inventory reserves, stock option valuation, share-based compensation, fair value of warrants, and the valuation allowance on deferred tax assets. The Company regularly evaluates its estimates and assumptions.

Cash

The Company considers all highly liquid investments with a maturity of three months or less to be cash. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of September 30, 2023 and December 31, 2022, respectively, approximately \$616,174 and \$3,120,763 of the Company’s cash was not insured by the FDIC. There were no cash equivalents held by the Company as of either September 30, 2023 or December 31, 2022.

Accounts Receivable

The Company grants credit to clients that sell the Company's products or engage in construction service under credit terms that it believes are customary in the industry and do not require collateral to support customer receivables. The accounts receivable balances are generally collected within 30 to 180 days of the product sale.

Allowance for Doubtful Accounts *doubtful accounts*

The Company estimates an allowance for doubtful accounts based on historical collection trends and review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, allowance for doubtful accounts amounted to **\$229,843** **249,603** and **\$222,972** **249,603**, respectively.

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by investing its cash with high credit quality financial institutions.

Major customers

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Three customers accounted for 69% of the total revenue for the three months ended March 31, 2024 and four customers accounted for 59% of the total revenue for the three months ended March 31, 2023. One customer accounted for 31% of the total accounts receivable as of March 31, 2024 and one customer accounted for 43% of the total accounts receivable as of December 31, 2023.

Inventory consists primarily Major vendors

No major vendor accounted more than 10% of parts total purchase during three months ended March 31, 2024 and finished goods and is valued at the lower of the inventory's cost or net realizable value under the first in, first out method ("FIFO Method"). Management compares the cost of inventory with its market value and a fair value adjustment is made to write down inventory to market value, if lower. Inventory fair value adjustments are recorded for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions and specific identification of items, such as discontinued products. These estimates could vary significantly from actual requirements, for example, if future economic conditions, customer inventory levels or competitive conditions differ from expectations. The Company regularly reviews the value of inventory based on historical usage and estimated future usage. If net realized value of our inventory is less than cost, we make provisions in order to reduce its carrying value to its net realizable value. 2023.

Marketable Equity Securities

The Company invests part of its excess treasury cash in equity securities and money market funds according to company treasury and investment policies. Marketable securities represent trading securities bought and held primarily for sale in the near-term to generate income on short-term price differences and are stated at fair value. Realized gains and losses are recognized the fair value differences when the trading securities been sold based on the FIFO Method. Unrealized gains and losses are recognized the fair value differences of unsold trading securities for the period end based on the FIFO Method. Both realized and unrealized gains and losses are recorded in other income (expense).

Property and Equipment

Property and equipment are stated at cost. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is included in earnings. Maintenance and repairs are expensed currently. Major renewals and betterments are capitalized. Depreciation is computed using the straight-line method. Estimated useful lives are as follows:

Fixed assets	Useful life
Furniture	5 years
Equipment	5 years
Warehouse	39 years
Improvement	5 years
Land	N/A

Long-Lived Assets

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360, Property, Plant, and Equipment, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that those fair values are reduced for the cost of disposal. Long-term assets of the Company are reviewed when circumstances warrant as to whether their carrying value has become impaired. The Company considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. The Company also re-evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. Based on its review at September 30, 2023 and December 31, 2022, the Company believes there was no impairment of its long-lived assets.

Intangible Assets

The Company's intangible assets were acquired from AT Tech Systems due to customer relationships using the multi-period excess earnings method. These intangible assets were valued based on the AT Tech Systems business acquisition during January 2023. The value is based on the assessed income expected to be generated from the existing customer list, namely the carry-over of the existing contracts after a careful evaluation of the customer list. Amortization on the intangible assets was computed by the percentage completed for these existing assets and fully amortized as of September 30, 2023.

Treasury stock

Purchases and sales of treasury stock are accounted for using the cost method. Under this method, shares acquired are recorded at the acquisition price directly to the treasury stock account. The Company does not recognize a gain or loss to income from the purchase and sale of treasury stock.

Share-Based Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of FASB ASC Topic 718, Stock-Based Compensation. Stock-based compensation to employees consist of stock options, grants, and restricted shares that are recognized in the statement of operations based on their fair values at the date of grant.

The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period during which services are received.

The Company calculates the fair value of option grants utilizing the Black-Scholes pricing model (see Note 12) and estimates the fair value of the stock based upon the estimated fair value of the common stock. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight-line basis over the requisite service period of the award.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC Topic 480, Distinguishing Liabilities from Equity and FASB ASC Topic 815, Derivatives and Hedging. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The Company calculates the fair value of warrants utilizing the Black-Scholes pricing model. The Company does not have any outstanding warrants as of September 30, 2023 and December 31, 2022, respectively.

Stock Dividends

The Company issued a fifty percent (50%) stock dividend of the Company's common stock to its shareholders for a stock dividend of one share of common stock for every two shares of common stock held. The Company follows paragraph ASC 505-20-25 in treating its stock dividend as a stock split due to the stock dividend being greater than 25% of the shares then outstanding. On March 23, 2023 and April 3, 2023, the Company issued 21,592,164 stock dividends to its shareholders for a stock dividend of one share of common stock for every two shares of common stock issued and outstanding. The Company also adheres to paragraph ASC 260-10-55-12, wherein it retroactively adjusted its statement of stockholders' equity for all presented periods to incorporate the alteration in capital structure. The retroactive treatment is based on a fifty percent (50%) stock dividend of the Company's common stock to its shareholders on March 23, 2023. The Company does not capitalize its retained earnings, and there is no impact to the Company's overall equity or its total assets.

Fair Value of Financial Instruments

The Company follows paragraph ASC 825-10-50-10 for disclosures about fair value of its financial instruments and paragraph ASC 820-10-35-37 (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in conformity with U.S. GAAP, accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Assets	September 30, 2023 (unaudited)				March 31, 2024 (unaudited)			
	Fair Value			Carrying	Fair Value			Carrying
	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3	Value
Marketable securities:								
Stock	\$ 39,165	\$ -	\$ -	\$ 39,165	\$ 35,260	\$ -	\$ -	\$ 35,260
Total assets measured at fair value	\$ 39,165	\$ -	\$ -	\$ 39,165	\$ 35,260	\$ -	\$ -	\$ 35,260
Assets	December 31, 2022				December 31, 2023			
	Fair Value			Carrying	Fair Value			Carrying
	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3	Value
Marketable securities:								

Stock	\$ 105,470	\$ -	\$ -	\$ 105,470	\$ 36,735	\$ -	\$ -	\$ 36,735
Total assets measured at fair value	\$ 105,470	\$ -	\$ -	\$ 105,470	\$ 36,735	\$ -	\$ -	\$ 36,735
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The carrying amount of the Company's financial assets and liabilities, such as cash, accounts receivable, **inventory**, **inventories**, other **receivables**, **receivable**, prepaid expenses, **deposits**, **deposit**, accounts and accrued expenses, payable, treasury stock payable, and accrued expenses, **short-term loan**, other current liabilities, and customer **deposits**, **deposit**, approximate their fair value because of the short maturity of those instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

However, it is not practical to determine the fair value of advances from stockholders, if any, due to their related party nature.

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Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive loss for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **for the year ended December 31, 2022** **2023** was comprised of foreign currency translation adjustments.

Revenue Recognition

On September 1, 2018, the Company adopted FASB ASC Topic 606, Revenue from Contracts with Customers using the modified retrospective transition approach. The core principle of ASC 606 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for exchange of those goods or services. The Company's updated accounting policies and related disclosures are set forth below, including the disclosure for disaggregated revenue. The impact of adopting ASC 606 was not material to the unaudited condensed consolidated financial statements.

Revenue from the Company is recognized under **ASC Topic** 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- **allocation** **Allocation** of the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to each of the Company's revenue **categories**, **category**, is summarized below:

- Product sales – revenue is recognized at the time of sale upon the delivery of the equipment to the customer. **customer** and completion of performance obligation.
- Service sales – revenue is recognized based on the service having been provided and the agreed upon performance obligation has been completed to the customer.

Revenue from our project construction is recognized over time using the percentage-of-completion method under the cost approach. The percentage of completion is determined by estimating stage of work completed. Under this approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Our construction contracts are unit priced, and an **accounts** **account** receivable is recorded for amounts invoiced based on actual units produced.

Cost

A summary of **Revenue**, **excluding depreciation & amortization** our revenue by product type for the three months ended March 31, 2024 and 2023 is as follows:

	March 31, 2024	March 31, 2023
IoT Products	\$ 179,505	\$ 13,281
IoT Project Construction and Installation Services	39,653	222,814

Total	\$ 219,158	\$ 236,095
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Cost of revenue includes the cost of services, labor and product incurred to provide product sales, service sales and project sales.

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Research and development

Research and development costs are expensed as incurred. Research and development costs primarily consist of efforts to refine existing product models and develop new product models.

Related Parties

The Company follows Section 10 of FASB ASC Topic 850, Related Party Disclosures for the identification of related parties and disclosure of related party transactions. Pursuant to ASC 850-10-20 the related parties include: (a) affiliates of the Company; (b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of ASC 825-10-15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the Company; (e) management of the Company; (f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The unaudited condensed consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of unaudited condensed consolidated financial statements is not required in those statements. The disclosures shall include: (a) the nature of the relationship(s) involved; (b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the unaudited condensed consolidated financial statements; (c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Commitments and Contingencies

The Company follows Section 20 of FASB ASC Topic 450, Contingencies to report accounting for loss contingencies. Certain conditions may exist as of the date the unaudited condensed consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's unaudited condensed consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

Gain on Bargain Purchase

A bargain purchase gain is recognized when the net assets acquired in a business combination have a higher fair value than the consideration paid.

Income Tax Provision

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Income Taxes. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, the Company does not foresee generating taxable income in the near future and utilizing its deferred tax asset, therefore, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company has no material uncertain tax positions for any of the reporting periods presented.

Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax basis of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized. There were no material deferred tax assets or liabilities as of September 30, 2023 and December 31, 2022.

As of September 30, 2023 and December 31, 2022, the Company did not identify any material uncertain tax positions.

Basic and Diluted Net Income (Loss) Per Share

Net income (loss) per share is computed pursuant to [Section 10-45 of FASB ASC Topic 260, Earnings Per Share](#). [260-10-45](#). Basic net income (loss) per share (“EPS”) is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period.

Diluted EPS is computed by dividing net income (loss) by the weighted average number of shares of stock and potentially outstanding shares of stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangements, arrangement, stock options or warrants.

Due to the net loss incurred by the Company, potentially dilutive instruments would be anti-dilutive. Accordingly, diluted loss per share is the same as basic loss for all periods presented. The following potentially dilutive shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

Nine Months Ended September 30,	2023	2022
Stock options	497,092	305,041
Total	<u>497,092</u>	<u>305,041</u>

While the EPS treatment was applied in the quarter ended September 30, 2023, and a fifty percent stock dividend adjustment on March 23, 2023 is also retroactive accordingly.

Reclassification

Certain reclassifications have been made to the unaudited condensed consolidated financial statements for the prior period to the current year’s presentation. Such reclassifications have no effect on net income as previously reported.

Three Months Ended March 31,	2024	2023
Stock options	626,374	423,457
Total	<u>626,374</u>	<u>423,457</u>

Foreign Currency Translation and Transactions

The reporting and functional currency of Focus is the [U.S. dollar \(USD\)](#). [USD](#). The functional currency of Focus Shenzhen Universal (Shenzhen) Technology Co. LTD, a wholly owned subsidiary of Focus located in China, is the [renminbi \(RMB\)](#) [Renminbi \(“RMB”\)](#).

For financial reporting purposes, the financial statements of [Focus Shenzhen](#), the Company’s Chinese subsidiary, which are prepared using the RMB, are translated into the [Company’s reporting currency](#), [USD](#). Assets and liabilities are translated using the exchange rate on the balance sheet date. Revenue and expenses are translated using average exchange rates prevailing during each reporting period. Stockholders’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive loss in stockholders’ equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange difference, presented as foreign currency transaction loss, is included in the accompanying unaudited condensed consolidated statements of operations. The exchange rates used for unaudited condensed consolidated financial statements are as follows:

	Average Rate for the Nine Months Ended September 30,				Average Rate for the Three Months Ended March 31,	
	2023 (Unaudited)		2022 (Unaudited)		2024 (Unaudited)	2023 (Unaudited)
	RMB	7.2942	RMB	6.5985	RMB 7.1555	RMB 6.8413
China Yuan (RMB)	\$	1.0000	\$	1.0000	\$	1.0000
United States Dollar (\$)						

	Exchange Rate at September 30, 2023				Exchange Rate at December 31, 2022	
	2023 (Unaudited)		2022		2024 (Unaudited)	2023 (Unaudited)
	RMB	7.0279	RMB	7.1100	RMB 7.2190	RMB 7.0698
China Yuan (RMB)	\$	1.0000	\$	1.0000	\$	1.0000
United States Dollar (\$)						

Going Concern

The Company has assessed its ability to continue as a going concern for a period of one year from the date of the issuance of these **unconsolidated** condensed consolidated financial statements. The Company has a net loss of \$1,315,597 and \$1,114,243 for the three months ended March 31, 2024 and 2023, respectively. In addition, the Company had an accumulated deficit of \$23,897,767 and \$22,582,170 as of March 31, 2024 and December 31, 2023, respectively, and negative cash flow from operating activities of \$892,089 and \$838,535 for the three months ended March 31, 2024 and 2023, respectively. Substantial doubt about the Company's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year from the financial statement issuance date. The accompanying **unaudited condensed** consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern. The Company currently suffered recurring loss from operations, generated negative cash flow from operating activities, has an accumulated deficit and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. These conditions raise substantial doubt as to its ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended December 31, 2023, has also expressed substantial doubt about the Company's ability to continue as a going concern.

The Company has a net loss of \$3,100,442 and \$3,872,247 for the nine months ended September 30, 2023 and 2022, respectively. In addition, At March 31, 2024, the Company had an accumulated deficit cash and cash equivalents, and short-term investments, in the amount of \$20,964,470 114,096 and \$17,864,028 as of September 30, 2023 and December 31, 2022, respectively, and negative cash flow from operating activities of \$2,603,545 and \$2,435,157 for the nine months ended September 30, 2023 and 2022, respectively. As noted above, the Company's. The ability to continue as a going concern is dependent on the Company attaining and maintaining profitable operations in the future and raising additional capital to meet its ability obligations and repay its

liabilities arising from normal business operations when they come due. Since inception, the Company has funded its operations primarily through equity and debt financings, and it expects to raise continue to rely on these sources of capital in the future. In addition, subsequent to year end, the Company has entered into a letter of intent from a secondary buyer to potentially sell its land and buildings which upon completion, would provide additional capital. The Company's consolidated financial statements do not include any adjustments relating working capital to the recoverability Company. No assurance can be given that the sale of the land and classification of reported asset amounts building will occur, or any future financing will be available or, if available, that it will be on terms that are satisfactory to the amount and classification of liabilities that might be necessary should Company. Even if the Company be unable is able to continue as a going concern obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in case of equity financing, or grant unfavorable terms in future licensing agreements.

Note 3 – Recent Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, (Topic 326), Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments which amends the current accounting guidance and requires the use of the new forward-looking “expected loss” model, rather than the “incurred loss” model, which requires all expected losses to be determined based on historical experience, current conditions and reasonable and supportable forecasts. This guidance amends the accounting for credit losses for most financial assets and certain other instruments including trade and other receivables, held-to-maturity debt securities, loans and other instruments. In November 2019, 2023, the FASB issued ASU No. 2019-10 2023-07, Segment Reporting (Topic 280): Improvements to postpone Reportable Segment Disclosure, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expense categories that are regularly provided to the effective date chief operating decision maker and included in each reported measure of ASU No. 2016-13 for public business entities eligible a segment's profit or loss. The update also requires all annual disclosures about a reportable segment's profit or loss and assets to be smaller reporting companies defined by the Securities and Exchange Commission to fiscal years beginning after December 15, 2022, including provided in interim periods within those and for entities with a single reportable segment to provide all the disclosures required by ASC 280, Segment Reporting, including the significant segment expense disclosures. This standard will be effective for the Company on January 1, 2024 and interim periods beginning in fiscal years year 2025, with early adoption permitted. The updates required by this standard should be applied retrospectively to all periods presented in the financial statements. The Company believes the adoption of ASU No. 2016-13 will does not expect this standard to have a material impact on its results of operations, financial position and results of operations, or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Note 4 – Inventory

At March 31, 2024 and December 31, 2023, inventory consisted of the following:

	March 31, 2024	December 31, 2023
Parts	\$ 1,051	\$ 1,051
Finished goods	406,306	281,020
Inventory	<u>\$ 407,357</u>	<u>\$ 282,071</u>

Note 5 – Property and Equipment

At March 31, 2024 and December 31, 2023, property and equipment consisted of the following:

	March 31, 2024	December 31, 2023
Warehouse	\$ 3,789,773	\$ 3,789,773
Land	731,515	731,515
Building improvement	240,256	240,256
Furniture and fixture	38,974	39,223
Equipment	123,850	119,556
Software	<u>1,995</u>	<u>1,995</u>
Total cost	<u>4,926,363</u>	<u>4,922,318</u>
Less accumulated depreciation	<u>(876,711)</u>	<u>(841,655)</u>
Property and equipment, net	<u>\$ 4,049,652</u>	<u>\$ 4,080,663</u>

Depreciation expense for the three months ended March 31, 2024 and 2023 amounted to \$35,330 and \$42,041, respectively.

Note 4 – Inventory

At September 30, 2023 and December 31, 2022, inventory consisted of the following:

	September 30, 2023	December 31, 2022
Parts	\$ 1,051	\$ 3,767
Finished goods	298,922	100,005
Inventory	<u>\$ 299,973</u>	<u>\$ 103,772</u>

Note 5 – Deposits

The deposits balance as of September 30, 2023 amounted to \$23,420 for lease agreement and utility deposits and third-party payroll service deposits. The deposits balance as of December 31, 2022 amounted to \$33,264 for lease agreement and utility deposits.

Note 6 – Property and Equipment

As of September 30, 2023 and December 31, 2022, property and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Warehouse	\$ 3,789,773	\$ 3,789,773
Land	731,515	731,515
Building improvement	240,256	240,256
Furniture and fixture	38,852	37,785
Equipment	118,083	101,076
Software	1,995	1,995
Total cost	<u>4,920,474</u>	<u>4,902,400</u>
Less accumulated depreciation	(800,501)	(673,770)
Property and equipment, net	<u>\$ 4,119,973</u>	<u>\$ 4,228,630</u>

Depreciation expense for the three months ended September 30, 2023 and 2022 amounted to \$43,723 and \$41,845, respectively.

Depreciation expense for the nine months ended September 30, 2023 and 2022 amounted to \$127,171 and \$123,908, respectively.

Note 7 – Intangible Assets, Net

The following table presents the intangible assets balances as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Customer Relationships	\$ 28,741	\$ –
Less accumulated amortization	(28,741)	–
Intangible assets, net	<u>\$ –</u>	<u>\$ –</u>

Note 8 – Related Party Transactions

Revenue generated from Vitashower Corp., a company owned by the Chief Executive Officer's wife, amounted to \$0 and \$33,820 for the nine months ended September 30, 2023 and 2022, respectively. The accounts receivable balance due from Vitashower Corp. amounted to \$0 and \$34,507 as of September 30, 2023 and December 31, 2022, respectively.

Note 9 – Related Party Loan

On August 3, 2023, the Company submitted a written consent, and the Board approved a loan amount from \$1 million to \$5 million. On September 7, 2023, the Company entered into a loan agreement with Golden Sunrise Investment LLC in the amount of \$1,000,000. This loan is secured against the Company's property, which serves as collateral, with a net book value of \$4.5 million pledged. At the time of entering the loan agreement, Golden Sunrise Investment LLC was owned by two of the Company's shareholders who collectively owned approximately 19% of the Company's outstanding shares. The loan has an annual interest rate

of 12% and the principal amount has a due date of September 7, 2024. On March 5, 2024, the Company entered into an addendum to the loan agreement with Golden Sunrise Investment LLC, a related party obtaining an additional secured loan amount of \$300,000 at an annual interest rate of 12% which is due September 7, 2024. The interest expense amount was \$8,333 33,000 for the nine three months ended September 30, 2023 March 31, 2024. There was no accrued interest as of September 30, 2023 March 31, 2024, and the total principal outstanding loan amount was \$1,000,000 1,300,000 as of September 30, 2023 March 31, 2024. As a note, the The interest rate increases to 15% as of the due maturity date of the loan on any unpaid principal balance outstanding.

Note 107 – Business Concentration and Risks Short-Term Loan

Major customers

One customer accounted for 46% On January 2, 2024, the board of directors of the Company authorized the Company to enter into a revolving credit facility or series of promissory notes for up to \$5 million with one or more lenders. The Company accepted the first \$300,000 tranche on January 9, 2024 (the “Loan”) with a third-party private lender (the “Lender”) whereby the Lender loaned \$300,000 to the Company (the “Principal Amount”). The Loan has an annual 3% compound interest rate and note payments begins on February 4, 2024 (“Due Date”) whereby the Company will pay Lender in 12 equal installment payments of \$25,408.11 beginning on the Due Date. The interest amount for the three months ended March 31, 2024 was \$816, and the total accounts receivable principal outstanding loan amount was \$250,000 as of September 30, 2023 and four customers accounted for 11% of the total accounts receivable as of December 31, 2022 March 31, 2024. One customer accounted for 30% of the total revenue for the nine months ended September 30, 2023, and three customers accounted for 43% of total revenue for the nine months ended September 30, 2022.

Major vendors

No major vendor accounted more than 10% of total purchases during the nine months ended September 30, 2023, One vendor, Tianjin Guanglee, accounted for 0% of total accounts payable at September 30, 2022; and this vendor accounted for 24% of total purchases during the nine months ended September 30, 2022. Of subsequent note, Tianjin Guanglee was once owned by the Chief Executive Officer, as fully disclosed in our annual report in 2017. In 2018, the Chief Executive Officer transferred ownership of the entity to an unrelated third party in a transaction not considered a related party transaction per the relevant guidelines.

Note 118 – Lease

The Company recorded its operating lease expense of \$104,156 27,687 and \$280,311 46,080 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. This is included in general and administrative expenses.

On December 7, 2021 January 16, 2023, Focus Shenzhen Universal (Shenzhen) Technology Co. LTD entered into a thirty-eight thirty-six month commercial lease with a third party for an approximately 5,895 2,017 square foot office space. The lease commenced on December 25, 2021 February 1, 2023 and was scheduled to will end on February 28, 2025 January 31, 2026. The monthly rent was RMB70,097 is RMB29,974 (approximately \$9,610) \$4,152 with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms, term, which is 10%. Lease expense for this the lease is recognized on a straight-line basis over the lease term. This lease was terminated on February 22, 2023.

On January 16, 2023 February 22, 2023, Focus Shenzhen Universal (Shenzhen) Technology Co. LTD entered into a thirty-six month commercial lease with a third party for an approximately 2,017 3,449 square foot office space. The lease commenced on February 1, 2023 March 31, 2023 and will end on January 31, 2026 February 28, 2026. The monthly rent is RMB29,974 RMB35,246 (approximately \$4,109) \$4,882 with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms, term, which is 10%. Lease expense for this the lease is recognized on a straight-line basis over the lease term.

On February 22, 2023, Focus Shenzhen entered into a thirty-six month commercial lease with a third party for an approximately 3,449 square foot office space. The lease commenced on March 31, 2023 and will end on February 28, 2026. The monthly rent is RMB35,246 (approximately \$4,832) with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms, which is 10%. Lease expense for this lease is recognized on a straight-line basis over the lease term.

Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, operating lease right-of-use assets and lease liabilities were as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Operating lease right-of-use assets	\$ 264,650	\$ 353,074		
Amortization	(49,750)	(99,738)		
Operating lease right-of-use assets, net	\$ 214,900	\$ 253,336	\$ 176,038	\$ 201,048
Lease liabilities, current portion	\$ 84,036	\$ 113,058	\$ 96,517	\$ 90,172
Lease liabilities, less current portion	\$ 122,959	\$ 165,952	\$ 43,470	\$ 118,517

Lease term and discount rate:

	September 30, 2023	December 31, 2022
Weighted average remaining lease term		
Operating lease	2.33 to 2.50 years	2.17 years
Weighted average discount rate		
Operating lease	10%	10%

	March 31, 2024	December 31, 2023
Weighted average remaining lease term	1.83 to 2.00 years	2.08 to 2.25 years
Operating lease		
Weighted average discount rate		
Operating lease	10%	10%

The minimum future lease payments are as follows:

	Amount	Amount
Year ending December 31, 2023	\$ 9,862	
Year ending December 31, 2024	101,544	\$ 33,632
Year ending December 31, 2025	111,114	112,272
Year ending December 31, 2026	8,219	8,304
Total minimum lease payment	<u>230,739</u>	<u>154,208</u>
Less: imputed interest	(23,744)	(14,221)
Present value of future minimum lease payments	<u><u>\$ 206,995</u></u>	<u><u>\$ 139,987</u></u>

Note 129 – Stockholders’ Equity

Shares authorized Stock Dividend

Upon formation, the total number of shares of all classes of stock that the Company is authorized to issue is seventy-five million (75,000,000) shares of common stock, par value \$0.001 per share.

Common stock

On March 23, 2023, the Company issued a fifty percent (50%) stock dividend of the Company’s common stock to its shareholders for a stock dividend of one share of common stock for every two shares of common stock held.

During The Company followed paragraph ASC 505-20-25 in treating its stock dividend as a stock split due to the nine months ended September 30, 2023 stock dividend being greater than 25% of the shares then outstanding. As such, on March 23, 2023 and April 3, 2023, the Company issued 75,43421,592,164 stock dividends to its shareholders for a stock dividend of one share of common stock for every two shares of common stock not including issued and outstanding. The Company adhered to paragraph ASC 260-10-55-12, wherein it retroactively adjusted its statement of stockholders’ equity for all presented periods to incorporate the abovementioned stock dividend, alteration in capital structure.

On January 17, 2023, the Company retired the 400,000 Common stockshares (representing 600,000 shares of common stock after a fifty percent stock dividend adjustment on March 23, 2023, and then valued at \$2,000,000. The value of \$1,965,000 was determined several months later for a total of 1.3 million shares) obtained pursuant to a prior stock repurchase agreement as announced in a current report on October 7, 2022.

On February 13, 2023, the Company issued 62,250shares (for consideration with a fair value of \$184,979 149,404, based on their share price on grant date of \$4.03 and \$4.27) to employees based on their Restricted Stock Award Agreements (see Employee stock-based compensation below).

On February 21, 2023, the Company issued 10,857 shares (for consideration of \$41,401, based on their share price on grant date of \$5.72) to a prior board member who exercised his options with cashless exercise.

On April 3, 2023, the Company issued 2,327 shares to round up the stock dividend effective on March 23, 2023.

During the nine months ended September 30, 2022, the Company issued 403,761 shares of common stock.

On April 4, 2022, the Company issued 181,723 shares of its common stock to Boustead Securities LLC ("Boustead"), which were for the warrants exercised by Boustead on September 7, 2021. The warrants were issued to Boustead in connection with the Company's initial public offering with an exercise price of \$4.16. The shares issued to Boustead were valued at \$1,776,044 upon the cashless exercise option of the warrants.

On May 2, 2022, the Company issued 48,941 shares to consultants in exchange for professional services rendered. The shares were valued at \$154,709 based on the closing price of the Company's common stock on the dates that the shares were deemed earned, according to the terms of the related agreements.

On August 17, 2022, the Company issued 82,347 shares to two board members who exercised their options. The board members exercised a combined 107,500 options, and the shares were valued at \$652,501 upon the cashless exercise option of the options.

On August 22, 2022, the Company issued 90,750 shares (for consideration of \$642,789, based on their share price on grant date of \$7.44) to employees based on the Restricted Stock Award Agreement (see *Employee stock-based compensation*).

As of September 30, 2023 and December 31, 2022, the Company had 64,771,817 shares and 65,296,383 shares of common stock issued and outstanding, respectively.

Treasury stock

On August 10, 2022, the Company entered a stock purchase agreement (the “Stock Purchase Agreement”) with a private shareholder to repurchase 400,000 shares (600,000 shares after a fifty percent stock dividend adjustment on March 23, 2023) of its common stock for \$2,000,000. The private shareholder transferred the shares on October 4, 2022, forming a binding agreement, which the Company placed in treasury; and on October 6, 2022, the Company wired the first \$1,000,000 of the purchase price. Subsequently, on July 14, 2023, the Company entered into an amendment to the Stock Purchase Agreement that increased the number of shares of its common stock the Company would purchase to 1,300,000 shares and revised the total purchase price of the shares to \$1,965,000, resulting in a \$35,000 change in our obligation to purchase Treasury stock. The remaining \$965,000 was paid on July 14, 2023. Upon receipt of the additional 900,000 shares, the Company also placed them in treasury. As of January 17, 2023, the Company retired the initial 400,000 shares (600,000 shares after a fifty percent stock dividend adjustment on March 23, 2023) and restored them to the status of authorized and unissued shares.

As part of the Company’s repurchase program, during the nine months ended September 30, 2023 the Company repurchased 233,040 shares of its common stock for \$420,686 in the public market at average price of \$1.80 and placed them in treasury. As of September 30, 2023 and December 31, 2022, the Company had 1,183,040 and 400,000 treasury shares, respectively. The intention of the Company is to retire the additional 900,000 shares obtained pursuant to the amendment to the Stock Purchase Agreement along with the additional 233,040 shares repurchased during the nine months ended September 30, 2023.

Employee stock-based compensation

During the nine months ended September 30, 2023, the Company entered into employment contracts with three employees of its engineering staff. These employment contracts contained provisions for a total bonus of restricted stock grants valued at \$50,000 based on the share price upon the date of completion of the performance metrics described in the employment contracts. The fair value of the above employee compensation was \$16,250 (approximately 9,931 shares) as of September 30, 2023.

On February 11, 2022 (the “Vesting Date”), the Company entered into a restricted stock award agreement (the “Award Agreement”) with eight employees for 280,000 shares of the Company’s common stock subject to the terms and to the fulfillment of the conditions set forth in the Company’s equity incentive plan. The first 20% of the restricted shares were granted and vested on February 11, 2022. An additional 20% of the restricted shares will vest on each anniversary of the Vesting Date until the fourth anniversary of the Vesting Date. There were 51,000 shares granted as of February 13, 2023. The initial fair value of the above employee compensation awards on the date of grant was determined to be \$2,942,800 which is being amortized over the 5 year vesting period. As of December 31, 2023 the unamortized amount of the award was \$136,904. During the three months ended March 31, 2024 the Company amortized \$89,335 as of September 30, 2023 this amount leaving an unamortized balance of \$982,685 at March 31, 2024. As of March 31, 2024, 135,000 of the shares had been vested and 88,000 of the shares had been forfeited.

The company has entered into two employment agreements that require the annual award of 15,000 shares of common stock to each of these employees to be vested on a quarterly basis. During the period ended March 31, 2024, 7,500 shares of common stock with a fair value of \$3,075 had vested. In November 2021, addition, the Company entered into another employment contract that contained provisions for a one-year employment agreement with the then VP total bonus of Finance and Head of Investor Relations of the Company, pursuant to which the Company awarded a 10,000-share bonus consisting of shares of the Company’s common restricted stock which will be granted in blocks of 2,500 shares for every quarter certain performance metrics are achieved. The share price will be determined grants valued at \$50,000 based on the closing share price as upon the date of the last day completion of each quarter. Pursuant to the terms of the employment agreement, if the Company determined it was satisfied with the performance of the VP, his position would be promoted to Chief Financial Officer after the one-year anniversary. In November 2022, the Company entered into an amendment agreement to amend the performance metrics and extend described in the term employment contracts. During the period the employee earned 6,098 shares with a fair value of \$2,500 during the period ended March 31, 2024. As of September 30, 2023 March 31, 2024, 7,500 shares of common stock earned under these contracts have vested collectively valued at \$14,925.

In October 2022, the Company entered into an employee agreement with the VP of the Company, pursuant to which the Company awarded a 10,000-share bonus consisting of shares of the Company’s common stock, which will be granted in blocks of 2,500 shares every quarter. As of September 30, 2023, 7,500 shares have vested, collectively valued at \$14,925, but not been issued.

During the nine months ended September 30, 2023 March 31, 2024 and 2022, the total employee stock-based compensation amount for all employees in the company was \$183,004 and \$671,901, respectively.

Stock options

On August 6, 2019, each member of the Board was granted 45,000 options to purchase shares at \$3.80 per share.

On January 4, 2021 January 2, 2024, each member of the Board was granted 22,500 options to purchase shares at \$2.00 1.50 per share.

On December 31, 2021, each member share with a fair value of \$29,595. The options vest on a monthly basis over 1 year, and have a 10 year life. In the Board was granted aggregate, 22,500 112,500 options were granted with a fair value of \$147,975. During the three months ended March 31, 2023, the Company recognized \$36,995 of compensation cost relating to purchase shares at the vesting of these options and \$5.91 110,980 per share.

On December 31, 2022, each member remained unvested which will be amortized over the remainder of the Board was granted 22,500 options to purchase shares at \$4.27 per share.

As of September 30, 2023, there were 615,063 options granted, 497,092 options vested and exercisable, 39,158 options unvested, and 536,249 outstanding stock options. 2024.

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company's stock option compensation expenses amounted to \$400,208 36,995 and \$652,501 133,403, respectively.

The fair value of the stock options listed above issued during the periods was determined using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2022	March 31, 2024
Risk-free interest rate	4.22	3.94%
Expected life of the options	3.55	years
Expected volatility	142.63	126.73%
Expected dividend yield		0%

The following is a summary of the option activity from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024:

	Number of Options	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2022	<u>615,061</u>	<u>\$ 5.93</u>	<u>8.04</u>	<u>—</u>
Vested at December 31, 2022	<u>458,424</u>	<u>\$ 3.91</u>	<u>7.09</u>	<u>—</u>
Exercisable at December 31, 2022	<u>458,424</u>	<u>\$ 3.91</u>	<u>7.09</u>	<u>—</u>
Granted	—	\$ —	—	—
Exercised	(78,812)	\$ 5.38	—	—
Forfeited or expired	—	\$ —	—	—
Outstanding at September 30, 2023	<u>536,249</u>	<u>\$ 3.96</u>	<u>7.55</u>	<u>—</u>
Vested as of September 30, 2023	<u>497,092</u>	<u>\$ 4.05</u>	<u>7.70</u>	<u>—</u>
Exercisable at September 30, 2023	<u>497,092</u>	<u>\$ 4.05</u>	<u>7.70</u>	<u>—</u>

	Number of Options	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2023	<u>513,874</u>	<u>\$ 4.05</u>	<u>7.25</u>	<u>—</u>
Granted	<u>112,500</u>	<u>\$ 1.50</u>	<u>—</u>	<u>—</u>
Exercised	—	—	—	—
Cancelled or forfeited	—	—	—	—
Outstanding at March 31, 2024	<u>626,374</u>	<u>\$ 3.60</u>	<u>7.50</u>	<u>—</u>
Vested as of March 31, 2024	<u>541,999</u>	<u>\$ 3.92</u>	<u>7.15</u>	<u>—</u>
Exercisable as of March 31, 2024	<u>541,999</u>	<u>\$ 3.92</u>	<u>7.15</u>	<u>—</u>

Note 13 – Commitments and Contingencies

In the normal course of business or otherwise, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees, and other directly related costs expected to be incurred. There were no recorded litigation loss contingencies as of September 30, 2023 and December 31, 2022.

Note 14 10 – Segment Reporting reporting

The Company currently has three operating segments. First, Focus and Focus Shenzhen collectively operate our “Corporate and R&D” segment, which involves the non-specific financing, executive expense, operations and investor relations of our public entity, and the general shared management and costs across the Company’s subsidiaries that spread across all functional categories and research and development of technology products. Second, Perfecular, AVX (doing business as Smart AVX) and Lusher jointly operate the “IoT Products” segment, which involves the wholesale, marketing, and production of our universal smart instruments and devices in the hydroponic and controlled agriculture segments and of our smart instruments into the commercial and home automation sectors. And third, AVX (exclusive of the smart IoT Products sales under Smart AVX) and AT Tech Systems cooperatively run our “IoT Installation Services” segment, which handles our IoT installation and management business specializing in high performance and easy to use audio/video systems, home theaters, lighting control, automation, and integration.

The following tables summarize the performance financial information of each operating segment of the Company for the three months ended September 30, 2023 and the performance of the IoT Installation Service segment broken out between its residential and commercial services for the same period: March 31, 2024:

	Three Months Ended September 30, 2023			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 97,513	\$ 220,857	\$ 318,370
Revenue – related party	—	—	—	—
Total revenue	—	97,513	220,857	318,370
Cost of revenue	—	47,855	153,539	201,394
Gross Profit	—	49,658	67,318	116,976
Operating Expenses				
Selling expense	6,516	18,677	8,443	33,636
Compensation – officers and directors	267,002	—	—	267,002
Research and development	305,872	—	—	305,872
Professional fees	132,914	—	—	132,914
General and administrative	358,631	2,503	46,717	407,851
Total Operating Expenses	1,070,935	21,180	55,160	1,147,275
Income (loss) from Operations	(1,070,935)	28,478	12,158	(1,030,299)
Other Income (Expense):				
Interest income (expense), net	(2,956)	1	(80)	(3,035)
Unrealized loss on marketable equity securities	(17,102)	—	—	(17,102)
Realized income on marketable equity securities	12,247	—	—	12,247
Rental income	40,731	—	—	40,731
Other income (expense), net	32,209	(8,255)	5,471	29,425
Total other income (expense)	65,129	(8,254)	5,391	62,266
Income (loss) before income taxes	(1,005,806)	20,224	17,549	(968,033)
Tax expense	—	—	—	—
Net Income (Loss)	\$ (1,005,806)	\$ 20,224	\$ 17,549	\$ (968,033)

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	Three Months Ended September 30, 2023		
	Residential	Commercial	Total IoT Installation Services
Revenue	\$ 23,758	\$ 197,099	\$ 220,857
Revenue – related party	–	–	–
Total revenue	23,758	197,099	220,857
Cost of revenue	45,255	88,815	153,539
Gross Profit	(21,497)	88,815	67,318
Operating Expenses			
Selling expense	–	8,443	8,443
General and administrative	3,392	43,325	46,717
Total Operating Expenses	3,392	51,768	55,160
Income (loss) from Operations	(24,899)	37,047	12,158
Other Income (Expense):			
Interest income (expense), net	–	(80)	(80)
Other income (expense), net	–	5,471	5,471
Total other income (expense)	–	5,391	5,391
Income (loss) before income taxes	(24,899)	42,438	17,549
Tax expense	–	–	–
Net Income (Loss)	\$ (24,899)	\$ 42,438	\$ 17,549

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	For the Three Months Ended March 31, 2024			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 179,505	\$ 39,653	\$ 219,158
Cost of revenue	—	105,082	114,275	219,357
Gross profit (loss)	—	74,423	(74,622)	(199)
Total operating expense	1,299,360	16,664	3,587	1,319,611
Income (loss) from operations	(1,299,360)	57,759	(78,209)	(1,319,810)
Total other income (expense)	2,737	335	1,141	4,213
Net income (loss)	\$ (1,296,623)	\$ 58,094	\$ (77,068)	\$ (1,315,597)

The following tables summarize the performance financial information of each operating segment of the Company for the three months ended September 30, 2022 and the performance of the IoT Installation Service segment broken out between its residential and commercial services for the same period: March 31, 2023:

	Three Months Ended September 30, 2022			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 1,444	\$ 53,242	\$ 54,686
Revenue – related party	—	—	5,968	5,968
Total revenue	—	1,444	59,210	60,654
Cost of revenue	—	10,167	32,274	42,441
Gross Profit	—	(8,723)	26,936	18,213
Operating Expenses				
Selling expense	75,032	—	1,952	76,984
Compensation – officers and directors	265,449	—	—	265,449
Research and development	133,109	—	—	133,109
Professional fees	150,943	—	—	150,943
General and administrative	230,001	76,129	59,564	365,694
Total Operating Expenses	854,534	76,129	61,516	992,179
Loss from Operations	(854,534)	(84,852)	(34,580)	(973,966)
Other Income (Expense):				
Interest income (expense), net	363	—	2,272	2,635

Unrealized income on marketable equity securities	42,101	—	—	42,101
Realized loss on marketable equity securities	(31,486)	—	—	(31,486)
Rental income	39,172	—	—	39,172
Other income (expense), net	144,547	(160,117)	(4,906)	(20,476)
Total other income (expense)	<u>194,697</u>	<u>(160,117)</u>	<u>(2,634)</u>	<u>31,946</u>
Loss before income taxes	(659,837)	(244,969)	(37,214)	(942,020)
Tax expense	—	—	—	—
Net Loss	\$ (659,837)	\$ (244,969)	\$ (37,214)	\$ (942,020)

	For the Three Months Ended March 31, 2023			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 13,281	\$ 222,814	\$ 236,095
Cost of revenue	—	8,803	171,941	180,744
Gross profit	—	4,478	50,873	55,351
Total operating expense	<u>1,237,660</u>	<u>6,421</u>	<u>52,244</u>	<u>1,296,325</u>
Loss from operations	(1,237,660)	(1,943)	(1,371)	(1,240,974)
Total other income (expense)	<u>128,835</u>	<u>109</u>	<u>(2,213)</u>	<u>126,731</u>
Net loss	\$ (1,108,825)	\$ (1,834)	\$ (3,584)	\$ (1,114,243)

Three Months Ended September 30, 2022

	Residential	Commercial	Total IoT Installation Services
Revenue	\$ 53,242	\$ —	\$ 53,242
Revenue – related party	5,968	—	5,968
Total revenue	59,210	—	59,210
Cost of revenue	32,274	—	32,274
Gross Profit	26,936	—	26,936
Operating Expenses			
Selling expense	1,952	—	1,952
General and administrative	59,564	—	59,564
Total Operating Expenses	61,516	—	61,516
Loss from Operations	(34,580)	—	(34,580)
Other Income (Expense):			
Interest income (expense), net	2,272	—	2,272
Other income (expense), net	(4,906)	—	(4,906)
Total other income (expense)	(2,634)	—	(2,634)
Loss before income taxes	(37,214)	—	(37,214)
Tax expense	—	—	—
Net Loss	\$ (37,214)	\$ —	\$ (37,214)

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The following tables summarize the performance of each operating segment of the Company for the nine months ended September 30, 2023 and the performance of the IoT Installation Service segment broken out between its residential and commercial services for the same period:

	Nine Months Ended September 30, 2023			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 175,661	\$ 594,195	\$ 769,856
Revenue – related party	—	—	—	—
Total revenue	—	175,661	594,195	769,856
Cost of revenue	—	104,210	427,187	531,397
Gross Profit	—	71,451	167,008	238,459
Operating Expenses				
Selling expense	37,978	51,337	19,255	108,570
Compensation – officers and directors	827,939	—	—	827,939
Research and development	925,345	—	—	925,345
Professional fees	506,878	—	—	506,878
General and administrative	1,063,509	10,881	138,096	1,212,486
Total Operating Expenses	3,361,649	62,218	157,351	3,581,218
Income (loss) from Operations	(3,361,649)	9,233	9,657	(3,342,759)
Other Income (Expense):				
Interest income (expense), net	27,635	4	(120)	27,519
Gain on bargain purchase	61,747	—	—	61,747
Unrealized income on marketable equity securities	10,463	—	—	10,463
Realized loss on marketable equity securities	(2,002)	—	—	(2,002)
Rental income	121,024	—	—	121,024
Other income (expense), net	27,745	(6,256)	2,077	23,566
Total other income (expense)	246,612	(6,252)	1,957	242,317
Income (loss) before income taxes	(3,115,037)	2,981	11,614	(3,100,442)
Tax expense	—	—	—	—
Net Income (loss)	<u>\$ (3,115,037)</u>	<u>\$ 2,981</u>	<u>\$ 11,614</u>	<u>\$ (3,100,442)</u>

	Nine Months Ended September 30, 2023		
	Residential	Commercial	IoT Installation Services
Revenue	\$ 152,928	\$ 441,267	\$ 594,195
Revenue – related party	–	–	–
Total revenue	152,928	441,267	594,195
Cost of revenue	116,040	311,147	427,187
Gross Profit	36,888	130,120	167,008
Operating Expenses			
Selling expense	–	19,255	19,255
Compensation – officers and directors	–	–	–
Research and development	–	–	–
Professional fees	–	–	–
General and administrative	37,345	100,751	138,096
Total Operating Expenses	37,345	120,006	157,351
Income (loss) from Operations	(457)	10,114	9,657
Other Income (Expense):			
Interest income (expense), net	–	(120)	(120)
Other income (expense), net	–	2,077	2,077
Total other income (expense)	–	1,957	1,957
Income (loss) before income taxes	(457)	12,071	11,614
Tax expense	–	–	–
Net Income (loss)	\$ (457)	\$ 12,071	\$ 11,614

The following tables summarize the performance of each operating segment of the Company for the nine months ended September 30, 2022 and the performance of the IoT Installation Service segment broken out between its residential and commercial services for the same period:

	Nine Months Ended September 30, 2022			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Revenue	\$ —	\$ 49,094	\$ 193,581	\$ 242,675
Revenue – related party	—	31,542	8,246	39,788
Total revenue	—	80,636	201,827	282,463
Cost of revenue	—	70,869	172,135	243,004
Gross Profit	—	9,767	29,692	39,459
Operating Expenses				
Selling expense	123,117	—	9,754	132,871
Compensation – officers and directors	874,739	—	—	874,739
Research and development	862,214	—	—	862,214
Professional fees	686,150	—	—	686,150
General and administrative	1,393,703	1,275	191,682	1,586,660
Total Operating Expenses	3,939,923	1,275	201,436	4,142,634
Income (loss) from Operations	(3,939,923)	8,492	(171,744)	(4,103,175)
Other Income (Expense):				
Interest income (expense), net	853	(288)	2320	2,885
Gain on bargain purchase	—	—	—	—
Unrealized loss on marketable equity securities	(32,525)	—	—	(32,525)
Realized loss on marketable equity securities	(21,205)	—	—	(21,205)
Rental income	117,513	—	—	117,513
Other income (expense), net	172,766	—	(8,506)	164,260
Total other income (expense)	237,402	(288)	(6,186)	230,928
Income (loss) before income taxes	(3,702,521)	8,204	(177,930)	(3,872,247)
Tax expense	—	—	—	—
Net Income (loss)	<u>\$ (3,702,521)</u>	<u>\$ 8,204</u>	<u>\$ (177,930)</u>	<u>\$ (3,872,247)</u>

	Nine Months Ended September 30, 2022		
	Residential	Commercial	Total IoT Installation Services
Revenue	\$ 193,581	\$ —	\$ 193,581
Revenue – related party	8,246	—	8,246
Total revenue	201,827	—	201,827
Cost of revenue	172,135	—	172,135
Gross Profit	29,692	—	29,692
Operating Expenses			
Selling expense	9,754	—	9,754
General and administrative	191,682	—	191,682
Total Operating Expenses	201,436	—	201,436
Loss from Operations	(171,744)	—	(171,744)
Other Income (Expense):			
Interest income (expense), net	2,320	—	2,320
Other income (expense), net	(8,506)	—	(8,506)
Total other income (expense)	(6,186)	—	(6,186)
Loss before income taxes	(177,930)	—	(177,930)
Tax expense	—	—	—
Net Loss	\$ (177,930)	\$ —	\$ (177,930)

The following table summarizes the total assets of each operating segment of the Company as of September 30, 2023:

	September 30, 2023			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Total Assets	\$ 5,732,129	\$ 178,682	\$ 488,151	\$ 6,398,962

The following table summarizes the total assets of each operating segment of the Company as of December 31, 2022:

	December 31, 2022			
	Corporate and R&D	IoT Products	IoT Installation Services	Total
Total Assets	\$ 8,977,993	\$ 257,413	\$ 87,654	\$ 9,323,060

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Note 15 11 – Business Combination Subsequent Events

On January 6, 2023 April 2, 2024, the Company completed entered into a two year loan agreement with the business combination Company's CEO Desheng Wang for the amount of AT Tech Systems \$300,000. The loan has an annual interest rate of 12% and the principal and interest amount has a due date of April 1, 2026, as consistent with the previous and separate loan agreement with Golden Sunrise Investment LLC.

On April 5, 2024, the Company hired Warren Wang as Vice President and Chief Strategy Officer. Mr. Wang's employment agreement is for a purchase price term of \$1 in cash. The Company's intangible assets were acquired from AT Tech Systems due to customer relationships using 2 years, and he will receive a base compensation of \$10,000 per month for providing investor outreach and investor relations services for the multi-period excess earnings method. Amortization on the intangible assets was fully amortized during the nine months ended September 30, 2023. A bargain purchase gain is recognized when the net assets acquired in a business combination have a higher fair value than the consideration paid. The result of AT Tech Systems' operations has been included in the condensed consolidated financial statement since that date. Company.

On May 7, 2024, the Company entered into a purchase agreement (the "Purchase Agreement") with a third-party purchaser (the "Buyer") to sell the Company's warehouse. The following table summarizes purchase price for the purchase consideration. Property is \$7,460,250 with \$2,611,088 paid directly to the Company in cash, and fair value the remaining \$4,849,162 will be financed by the Buyer and paid to the Company upon approval of the assets acquired financing. The Purchase Agreement allows for a contingency period of thirty days and liabilities assumed as includes a requirement for Buyer to deposit \$100,000 into escrow, which has been satisfied. Additional contingencies are set forth in the Purchase Agreement and the closing date will occur thirty days after their satisfaction or waiver.

On April 26, 2024, the Company issued a press release announcing a planned spinoff of January 6, 2023: its wholly owned subsidiary Lusher Inc. along with a presentation about its core business, which is a provider of patented hardware and software design technologies for Internet of Things (IoT) and 5G. The company had previously dedicated resources and employees toward development of this software, which has been expensed.

Assets:

Accounts receivable	\$ 33,007
Intangible assets	28,741
Total assets acquired	\$ 61,747

Liabilities:

Accounts payable	\$ —
Total liabilities assumed	—
Purchase Price	(1)
Total bargain purchase gain	\$ 61,747

On May 9, 2024, Focus Universal Inc., received a letter from the Listing Qualifications Department of the Nasdaq Stock Market. The May 9, 2024, letter notified the Company that based on the Staff's review of the Company's Market Value of Publicly Held Shares, the Company's MVPHS has fallen below the required minimum of \$15,000,000 for the last 32 consecutive business days. Therefore, the Company no longer meets the Nasdaq Listing Rule 5450(b)(2)(C) and 5450(b)(3)(C). The notification received has no immediate effect on the Company's Nasdaq listing. In accordance with Nasdaq Listing Rule 5810(c)(3)(A) and 5810(c)(3)(C), the Company has been provided an initial period of 180 calendar days, or until November 5, 2024, to regain compliance with the MVPHS Rules. If, at any time before the Compliance Date, the Company's MVPHS closes at \$15,000,000 or more for a minimum of ten consecutive business days, the Staff will provide written confirmation of compliance to the Company and this matter will be closed with respect to the MVPHS Rules.

As of April 30, 2024, the Company founded a result of above information that existed as wholly owned subsidiary named Lusher Inc. This company Lusher Inc. was founded to develop, market, and commercialize automation software initially for the financial reporting software market sector. As of the combination date of this filing, the Company recorded a bargain purchase gain of \$61,747 during the nine months ended September 30, 2023.

The excess has solely begun ongoing development of the aggregate net fair value of assets acquired software and liabilities assumed over founded the fair value of consideration transferred subsidiary after board approval, as other business activities are only in the purchase price has been recorded as a bargain purchase gain. Upon completion of the valuation of the acquired assets, the Company concluded that recording a bargain purchase gain with respect to AT Tech Systems was appropriate and required under U.S. GAAP. The Company believes the seller was motivated to complete the transaction as part of an overall repositioning of its business.

Note 16– Subsequent Events introductory phase.

The Company has evaluated all other subsequent events through the date these unaudited condensed consolidated financial statements were issued and determined that there were no other subsequent events or transactions that require recognition or disclosures in the unaudited condensed consolidated financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in, Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management beliefs, and certain assumptions made by our management. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, readers should carefully review the risk factors set forth herein and in other reports and documents that we file from time to time with the Securities and Exchange Commission, particularly the **Reports Report** on Form 10-K, **and Form 10-Q and any Current Reports on Form 8-K**.

Narrative Description of the Business

Focus Universal Inc. (the "Company," "we," "us," or "our") is a Nevada corporation. We believe we have developed five proprietary technologies utilizing our patent portfolio which we believe solve the most fundamental problems plaguing the internet of things ("IoT") industry through: (1) increasing overall chip integration by shifting integration from the component level to the device level; (2) creating a faster 5G cellular technology by using ultra-narrowband technology; (3) leveraging ultra-narrowband power line communication ("PLC") technology; (4) proprietary User Interface Machine auto generation technology; and (5) incorporating all our core technologies into a single chip. Our Universal Smart Technology is designed to overcome instrumentation interoperability and interchangeability. The electronic design starts from a 90% completed common foundation we call our universal smart instrumentation platform ("USIP"), instead of the current method of building each stand-alone instrument from scratch. Our method eliminates redundant hardware and software and results in significant cost savings and production efficiency. We believe we have developed software machine auto generation technology to replace the manual software designs which are currently in use and cannot satisfy the exponential growth of future IoT industry demand. Internal testing suggests that our ultra-narrowband PLC technology enables users to send data over existing electrical power cables, establishing a ubiquitous data network without substantial investment for a new dedicated wiring infrastructure. We believe our ultra-narrowband technology is capable of overcoming the noise problems communicating through power lines that have hindered our competitors for over a century. In our view, our wireless communication technology allows for longer-range coverage, is more energy efficient and has much faster data sending speeds than the current 5G technology speeds being used. We also provide sensor devices and are a wholesaler of various air filters and digital, analog, and quantum light meter systems. The company holds 28 patents and patents pending in various phases of the patent process.

For the nine months ended September 30, 2023 and 2022, we generated a significant amount of our revenue from sales of a broad selection of agricultural sensors and measurement equipment which is our primary business.

Our Current Products Include:

We are a wholesaler of various digital, analog, and quantum light meters and filtration products, including fan speed adjusters, carbon filters and HEPA filtration systems. We source these products from various manufacturers in China and then sell them to a major U.S. distributor, Hydrofarm, who resells our products directly to consumers through retail distribution channels and, in some cases, places its own branding on our products.

In an effort to continually develop our product lines, we plan to phase out the traditional, lower-margin products and are preparing to launch a new line of products that have been in development for several years. These newer technology products will be released in phases, and we intend that increasing amounts of technology will be layered upon these products. Additionally, we plan to continue to increase our efforts in protecting more intellectual property and have continued to develop technologies for long-term growth. We have developed products in both the controlled agriculture industry and home automation industries, taking advantage of our existing relationships in both sectors.

We are building a U.S. sales team to market our product lines. The team has already begun marketing our current Smart AVX-branded large format multimedia touch screens, surveillance camera system (cameras and network video recorders (NVRs)), indoor and outdoor LED screens, and Focus Universal-branded VOIP phone service systems.

In our hydroponics segment, our honeycomb activated carbon filter product was issued a patent in October 2022; this product in several different forms is in inventory at our warehouse in Ontario, CA ready for nationwide marketing.

Our products on the home automation front are beginning the production cycle. Of note, smart wall touch light switches, digital control smart wall touch light switches, smart timers, and smart controllers are ready for production. Sourcing of electronic parts for these products is completed, the cost analysis of these products is completed, and most of the tooling for production has been completed.

Currently, our Shenzhen subsidiary mainly focuses on product development and commercialization. An important electrode with a “Total Dissolved Solids” (“TDS”) meter design, with applications in all solubility measurements, was completed and approved by our U.S. management team. The designs of our TDS sensor, carbon dioxide sensor, new quantum PAR sensor and total dissolved oxygen sensors are also completed. Our testing against the state-of-the-art sensors on the market suggests to us that the new sensors are at least as good as the best quality sensors on the market. However, we believe that our sensors are much more cost effective.

The progress in our USIP for the IoT has been smooth, and we have confidence that the first version of our USIP for the IoT is now ready for public demonstration. The Company has announced that it will reveal its Ubiquitor products at the 12th Annual MJBizCon being held from November 28 through December 1, 2023 at the Las Vegas Convention Center and at the 2024 Annual Conference & California School Business Expo being held from April 7 through April 10, 2024 at the Palm Springs Convention Center in California.

The Focus Our software machine auto design team has also made significant progress. With mathematical and graphical environments having been created, our team is focusing on developing the 3D user interface machine auto design. Our public reporting automation software is completed and currently undergoing extensive testing. Reports on Forms 10-Q and 10-K are time-consuming, complex processes that require each company's financial team to gather and translate large amounts of data from multiple sources. The time and expertise required to complete the process is a substantial burden. Meanwhile, SEC reporting deadlines are firm and inflexible. This reality can interfere with other reporting timelines and leave a time-strapped team scrambling for the resources needed to meet all its reporting requirements. We have developed a Microsoft®-based add-on software that aims to streamline and automate the SEC reporting preparation process. We believe the software will significantly simplify the Form 10-Q and Form 10-K preparation processes and make creating, editing and managing documents both simple and accurate. Focus is We are planning to commercialize this software either in the fourth quarter of 2023 2024 or the first quarter of 2024 2025. A cloud-based version of this software is also under the development.

In 2023, Focus Universal Inc., through its Smart AVX subsidiary, received a Best of Show industry award for its Flexible Transparent Film Display during InfoComm 2023. InfoComm is North America's largest technology exhibition and conference focused on the professional audiovisual industry. The exhibition is produced by the Audiovisual and Integrated Experience Association (AVIXA) and currently ranks as a top 30 largest trade show in the United States by Trade Show Executive.

Furthermore, our devices and sensors with applications within hydroponics, including a (1) pH meter, (2) CO₂ meter, (3) dissolved oxygen meter, (4) digital light meter, (5) new (and vastly improved) quantum par meter are under intensive testing; and we expect to receive new versions into our U.S. headquarters for management approval.

In summary, our entire smart home and hydroponic IoT lines are expected to be completed by the end of 2023.

Beyond IoT products, as a developer of a Natural Integrated Programming Language (NIPL) derivative product (i.e., our software platform for interoperability within the IoT), we have developed a complementary office automation software product. This specific software was designed to assist in completing financial reports faster, more accurately, and with greater ease of update, thereby eliminating the need for increased staffing especially in time sensitive projects. It is designed to save CPAs, auditors, accounting, and/or legal a significant amount of time in the preparation of SEC financial reports and other internal financial reporting. Eighty percent of this software development has been completed and we hope to launch a beta version of this product.

While we will continue to sell the following products through Hydrofarm, we expect to have upgraded versions of certain of these products to introduce in the event the older versions are discontinued:

Fan speed adjuster device. Designed specifically for centrifugal fans with brushless motors, our adjuster device helps ensure longer life by preventing damage to fan motors by adjusting the speed of centrifugal fans without causing the motor to hum. These devices are rated for 350 watts max, have 120VAC voltage capacity and feature an internal electronic auto-resetting circuit breaker.

Carbon filter devices. We sell two types of carbon filter devices. These carbon filter devices are professional grade filters specifically designed and used to filter the air in greenhouses that might be polluted by fermenting organics. One of these filters can be attached to a centrifugal fan to scrub the air in a constant circle or can be attached to an exhaust line as a single-pass filter, which moves air out of the growing area, filters unwanted odors and removes pollens, dust, and other debris in the air. The other filter is designed to be used with fans from 0-6000 C.F.M.

HEPA filtration device. We provide a high-efficiency particulate arrestance (“HEPA”) filtration device at wholesale prices to our client Hydrofarm. Manufactured, tested, certified, and labeled in accordance with current HEPA filter standards, this device is targeted towards greenhouses and grow rooms and designed to keep insects, bacteria, and mold out of grow rooms. We sell these devices in various sizes.

Digital light meter. We provide a handheld digital light meter that is used to measure luminance in fc units, or foot-candles.

Quantum par meter. We provide a handheld quantum par meter used to measure photosynthetically active radiation (“PAR”). This fully portable handheld PAR meter is designed to measure PAR flux in wavelengths ranging from 400 to 700 nm. It is designed to measure up to 10,000 μmol .

Ubiquitor Wireless Universal Sensor Device

We have developed a device we call the Ubiquitor, which replaces the functions of traditional digital measurement and sensing products by integrating many digital sensors and measurement tools into one single digital device. We believe the platform represents a technological advancement in the IoT marketplace by integrating large numbers of technologies, including cloud technology, wired and wireless communication technology, software programming, instrumentation technology, artificial intelligence, PLC technology, and sensor networking into a single platform. We believe the result of such integration is a smaller, cheaper, and faster circuit system design than those currently offered in the instrumentation market.

Our USIP technology that will make the Ubiquitor possible is an advanced software and hardware integrated instrumentation platform that uses a large-scale modular design approach. The large-scale modular design approach subdivides instruments into a foundation component (a USIP) and architecture-specific components (sensor nodes), which together replaces the functions of traditional instruments at a fraction of their cost. The USIP has an open architecture, incorporating a variety of individual instrument functions, sensors, and probes from different industries and vendors. The platform features the ability to connect potentially thousands of different sensors or probes, addressing major limitations present in traditional instrumentation systems.

The USIP, which is compatible with a significant percentage of the instruments currently manufactured, consists of universal and reusable hardware and software. The universal hardware in the USIP is (i) a smartphone, computer, or any mobile device capable of running our software that includes a display and either hardware controls or software control surfaces, and (ii) our Ubiquitor, which is designed to be the universal data logger that acts as a bridge between the computer or mobile device and the sensor nodes. We call our flagship USIP device the “Ubiquitor” due to its ability to measure and test a variety of electrical and physical phenomena such as voltage, current, temperature, pressure, sound, light, and humidity—both wired and wirelessly.

We have created and assembled prototype models of the Ubiquitor in limited quantities and plan to expand our assembly in 2023. Our prototype Ubiquitor is compatible with standard desktop computers running either Windows OS or MacOS and Android- or iOS-based mobile devices and acts as a conduit that communicates with a group of sensors or probes manufactured by different vendors in a manner that requires the user to have little to no knowledge of their unique specifications. The data readout is displayed on the computer or mobile device display in application software we have created for use with a Windows PC and are creating for use with a Mac. We are designing the application software (the “App”) to have a graphical representation of control and indicator elements common in traditional tangible instruments, such as knobs, buttons, dials, and graphs, etc. Utilizing the Ubiquitor and the App, users and instrument manufacturers will be free to add, remove or change a sensor module for their special industrial or educational application without needing to create their own application software and design their own hardware. Our developers are designing and implementing a soft control touch screen interface that supports real-time data monitoring and facilitates instrument control and operation. Recently, we have devoted a substantial number of resources to research and development in both the U.S. and China to bring the Ubiquitor and its App to full production and distribution. We anticipate that the sales and marketing involved with bringing the Ubiquitor to market will require us to hire a number of new sales and marketing employees in order to gain traction in the market. We expect this to be a continual process. We intend to introduce the Ubiquitor in smart home installations to reduce costs and increase functionality, as well as implement the Ubiquitor device in greenhouses and other agricultural warehouses that require regulation of light, humidity, temperature, and other measurable scientific units required to create optimal growing conditions.

Our universal smart development protocol focuses not only on the design of the hardware and software modules but also on the design of the overall universal smart instruments system, guided by the principles of structure, universality, and modularity. As mentioned, we believe we address the core and fundamental issues facing the IoT marketplace.

Our Ubiquitor device is a fully modular system with a universal sensor node and gateway system that uses a computer or mobile device as the output display module responsible for displaying the readings of various sensor nodes. We have completed an initial production run of prototype Ubiquitor devices and intend to proceed into full-scale production. We intend to design the Ubiquitor's sensor analytics system to integrate event-monitoring, storage and analytics software in a cohesive package that provides a holistic view of the sensor data it is reading.

The physical hardware of the Ubiquitor will consist of:

1. The sensor nodes, which come in hundreds of different varieties of sensor instruments in the form of a USB stick, with both male and female ports; and
2. The Ubiquitor instrument as the main hardware gateway, which is a small cell phone-sized device with integrated circuits.

We believe the Ubiquitor device can connect up to thousands of potential sensor nodes and integrate data using embedded software to display the data and all analytics onto a digital screen (desktop, smartphone or mobile device displays) using a Wi-Fi connection. As disclosed in our patent application, we have already tested up to 256 sensor instrument readouts. Most types of nodes and probes can connect to the hardware. If the sensor size is bigger than the standard probe size, it is possible to simply use a USB cable to connect the probe and the hub. All data and analytics are displayed on a single screen, with tools that record and keep track of all measurements and sort and display analytic information in easy-to-read charts. The Ubiquitor will be a general platform that collects data in real time, up to 100 Hz per second, and, thus, is intended to be adapted to many industrial uses.

By using the universal hardware or USIP, we believe we could achieve the following efficiencies in instrumentation systems:

1. **Cut production costs.** Smartphone technology is widely used on the small sensor device market. By utilizing smartphone technology, the Ubiquitor will add superior functionality and performance, improve the product's quality, and cut production costs.
2. **Reduce the effort required to develop a new sensor product.** With the Ubiquitor, we believe that there will be no need for device manufacturers to research and develop new monitoring and operating components because they will just need to develop new sensor nodes or probes that may be integrated into our software technology.
3. **Reduce clutter.** It is anticipated that the Ubiquitor could dispense with some of the hassle of connecting cables, since the Ubiquitor allows wireless transmission of sensor data and may allow wireless access to networks, such as a PLC network.

We have not yet started research and development of a second generation Ubiquitor device, but once we demonstrate the market for this product, we intend to begin such research and development. Accordingly, our current research and development is focused on concepts we can implement in the current first generation Ubiquitor device.

Additional Focus Universal Inc. IoT Products under Smart AVX. Focus Universal Inc. is integrating its own Smart AVX-branded IoT equipment to connect devices across platform systems and to facilitate unified collaboration across audiovisual technologies, digital media technologies, security and surveillance technologies and communication technologies. This approach allows the Company to service its customers for ease of use, design and integration, and installation and maintenance by utilizing technology that integrates our five core technologies.

We have integrated our branded products across the following strategic sub-sectors: **LED Audio-visual Panel Products**, **large format Smart Multimedia Touch Screens**, **Pan Tilt Zoom (“PTZ”)** **Dome Cameras** and **Network Video Recorders (“NVRs”)**, and **VOIP Phone Services**.

1. **LED Audio-visual Panel Products.** LED panel digital displays have become an integral and modern-day solution that address the communication and display demands of the residential and commercial customer base. Due to the flexible configuration of the LED panels, the modular design that enables the ability to incorporate a design into any size space, the flexibility of the standard size panels to accommodate curvature in the design space, the ability to address transparency in the panel displays and create new areas for delivering media to the public, our LED panel digital displays allow us to easily adapt our display design to spaces of any size and shape, making any customer space a customizable output and connected piece within a system. The option to create full size screens in any space, while addressing any environmental demands, allows us to use state-of-the-art media resulting in immersive, three-dimensional, captivating content delivery within any system.
2. **Large Format Smart Multimedia Touch Screens.** Smart AVX-branded large format touch screens deliver interactive solutions for a wide variety of industries and applications, including education, healthcare, commercial, residential and government applications. While interacting with a touch display is commonplace in public-consumer spaces, Focus Universal Inc. integrates we integrate large format Smart touch screens in small business, commercial applications such as dental offices and other business scenarios. These market applications continue to be underserved with touch-enabled devices, and our install installation engineers and design staff can customize solutions for unique business and commercial application projects. The Company, through the Smart AVX brand, offers a myriad of customized choices and a long list of options within the current touch screen technology in a refined product. Our products allow future integration of our core platform technologies, such as the LED digital displays, the Ubiquitor, PTZ Dome Cameras and VOIP Phone Systems, allowing for pinch, zoom, scrolling, and videoconferencing within the touch screen format.
3. **Pan Tilt Zoom (PTZ) Dome Cameras and Network Video Recorders (NVRs).** **Pan Tilt Zoom (PTZ) Dome Cameras and Network Video Recorders (NVRs).** Dome security cameras are easily recognizable for their circular, dome encasing. Smart AVX-branded dome surveillance cameras are highly versatile and can be used in both indoor and outdoor environments, providing wide coverage for nearly any use condition. Smart AVX-branded dome security cameras have a vandal-proof dome casing, an infrared camera for night vision capabilities, and a sturdy metal base to protect against damage or tampering, making the cameras an integrated solution for reliable surveillance in many use conditions. The cameras are PTZ, meaning that they are built with mechanical parts that allow for swiveling left to right, tilting up and down, and zooming in and out of a scene. They're typically used to monitor wide open areas requiring a 180- or 360-degree view and are often deployed in guard stations where personnel can operate them through a remote controller. Depending on the camera or software, they can also be set to automatically follow motion-triggered activity to a pre-set schedule. PTZ cameras are generally implemented in tandem with a large surveillance system, in which the PTZ tracks movement while a fixed camera takes detailed shots.
4. **VOIP Phone Services.** Voice over Internet Protocol (VoIP), also called IP telephony, is a method and group of technologies for voice calls for the delivery of voice communication sessions over Internet Protocol (IP) networks, such as the Internet. Focus Universal Inc. plans to provide daily use VOIP services in an integrated fashion to the existing commercial customer base, allowing for extensive usage in small business, commercial applications such as dental offices and other business scenarios.

Focus Universal Corporate Services

Financial reporting is the process by which an organization communicates its financial performance to management, investors, creditors, and regulators. Companies routinely file financial reports, such as an annual report on Form 10-K and the financial statements included therein, to give a comprehensive view of the financial health of the organization to regulators and company stakeholders. These financial reports also keep investors aware of a company's financial condition, allowing them to have the information they need before making an investment decision.

An annual report on Form 10-K is a comprehensive report filed annually by a publicly traded company detailing its financial performance. The annual report on Form 10-K contains more detail than the company's annual report sent to its shareholders. Some of the information a company is required to document in the report on Form 10-K includes such as its history, organizational structure, financial statements, earnings per share, subsidiaries, executive compensation, and other relevant data.

The quarterly report on Form 10-Q is a comprehensive report of a company's quarterly performance that must be submitted by all public companies to the SEC. SEC on a quarterly basis. The quarterly report on Form 10-Q is generally submitted with unaudited financial statements. In the quarterly report, companies are required to disclose additional relevant information regarding their financial position. These requirements generally include providing statements including condensed financial statements, a management discussion and analysis on the financial condition of the company, and disclosures regarding market risk and internal controls.

It is critical that In the quarterly reports, companies and are required to disclose additional relevant quarterly financial information regarding their accountants and auditors understand all aspects and requirements of these periodic reports on Forms 10-K and 10-Q, including an understanding of how specific regulations like Sarbanes-Oxley and others are embedded within these reports and the attached financial statements. position.

Because of the depth and nature of the information they contain, reports on Forms 10-K and 10-Q can become long and complicated. Preparation of these reports can become time-consuming, especially given the complex processes that require a company's finance team to gather and translate large amounts of data from multiple sources. The time and expertise required to complete the process is a substantial burden. However, SEC reporting deadlines are firm and inflexible. These reporting requirements can interfere with other reporting timelines and leave a time-strapped team scrambling for the resources needed to meet all of their mandated reporting requirements.

Delays and mistakes in SEC financial reporting can have far-reaching consequences for companies and even for their shareholders. The consequences may include shareholders including. SEC review, enforcement actions, and penalties. Late filings can often lead to a drop in the company's stock price and a decrease in investor confidence.

However, it is critically important that the company's financial reporting is accurate, thorough, and up to date. Office software packages are widely used in all report preparation. While this software can do an excellent job on word processing, it often fails in the creation of the rigorously formatted tables and spreadsheets needed to populate the requisite financial information in the reports. Furthermore, because of the frequent incompatibility between programs in office software packages, the formatted tables required by financial reporting standards that are created by spreadsheets programs are destroyed when they are transferred to a word processing file. Creating a formatted table using word processing is time-consuming and tedious work.

Human data entry of hundreds or thousands of financial numbers in the financial report imposes another challenge and presents risk of human error. This risk is compounded by the frequent requirement to update or revise these hundreds or thousands of numbers during the reviewing and auditing processes before submission.

Automation in financial reporting is, therefore, becoming increasingly important, given Given the complexity and volume of data involved. Companies are looking for solutions that not only save cost, and reduce the time and effort required to report in a timely manner but also improve accuracy and compliance. Focus Universal Inc. We have has developed an automated software solutions solution to address these challenges effectively and efficiently in the following ways:

Data Entry Automation: Our software's automated data entry function reduces the risk of human errors and saves time. It is able to extract data from various sources and populate financial reports accurately.

Validation Checks: Our software includes built-in validation checks to ensure that the data is accurate and compliant with regulatory requirements. It also helps in identifying potential errors early in the reporting process.

Formatted Table Creation: Creating formatted tables which are often required in SEC financial reports, is a time-consuming task. Our software generates these tables accurately and efficiently.

AI-Driven Analytics: AI-driven analytics helps in identifying potential mistakes or areas for improvement in the reports. Our software provides insights and suggestions for enhancing the quality and accuracy of financial reporting.

Integration: Integration with existing financial systems and software is essential for a seamless reporting process. Our software connects with multiple data sources and financial software frequently used by reporting companies.

Security and Compliance: Security of data is critical, especially when dealing with sensitive financial data. Our software adheres to industry standards and regulations to ensure data security and compliance with reporting requirements.

It is worth noting that there are established companies like Insightsoftware, Workvia, and Toppan Merrill already providing SEC reporting automation solutions. These companies bring experience and expertise to the field. However, Insightsoftware concentrates on SEC reporting process design and offers a full-service solution for XBRL (eXtensible Business Reporting Language) submission. Workvia specializes in streamlining processes, connecting data and teams, and ensuring consistency in a secure, audit-ready, cloud platform. Toppan Merrill offers Bridge, a single, secure, integrated SaaS platform that connects a company's team, data, and documents. Their focus is on providing a unified platform for handling various aspects of financial reporting, making it easier for teams to collaborate and maintain compliance.

Focus Universal Inc. is targeting to commercialize its financial reporting automation software by the end of 2023. Potential users can subscribe to our service and pay a monthly fee for access and use.

IoT Installation Services under AVX (Residential) and AT Tech Systems (Commercial and Industrial)

- Smart Home IoT Installations.** Beyond standard doorbells and thermostats, Focus Universal Inc., we, through its our AVX subsidiary, provides provide customized and high-end IoT Smart home solutions to upgrade the standard home to an integrated home platform. AVX utilizes its existing tech-savvy installation staff to integrate the Smart AVX line of IoT products for a customized home solution with designed smart home services. AVX meets client safety concerns and meshes modern convenience for a complete solution for homeowners to easily control their homes' digital input and output points with wired, integrated systems throughout the build. installation. PTZ dome cameras give wide view home security through the network providing the views of four cameras with in the install installation space of a single camera. LED digital displays and large format multimedia touch screens provide state-of-the art output displays for eye catching and high-end centerpieces for homeowners. With the suite of Smart AVX home devices and the AVX professional install installation team, design and customized creation within a high-end home system can be standard for the customer base. These installations include integration of home VOIP phone systems, network and computer system integration, multimedia display systems, door access control systems, voice and data cabling, security alarm systems, PC upgrade and software installations, home audio-visual control center design and installation and systems integration, home security data backup systems, home network design and installation, HDTV signal and reception boost, and multi-room audio and ambient music phone systems.
- Smart Commercial and Industrial Installations.** Focus Universal Inc. We through the acquired AT Tech Systems company brand also designs design and builds build IoT technologies to fit unique business requirements. Utilizing the aforementioned IoT product solutions within the designed platform for a business system, AT Tech Systems provides IoT installations and integrations for industries including security and surveillance, smart commercial and industrial, healthcare, broadcast media and entertainment, manufacturing, food retail, and industrial warehousing. AT Tech Systems design and install installation experts have decades of hands-on experience in integrated systems of smart sensor devices, IoT data management platforms, client applications and analytics for complete end-to-end IoT commercial solutions. AT Tech Systems excels in the area of IoT interoperability, within the future Focus Universal Inc. platform, again utilizing the Smart AVX-branded products such as the LED digital displays, large format multimedia Smart touch screens, PTZ dome Cameras, and VOIP phone systems. These installations include integration of the commercial grade phone fax and extension VOIP systems, networking and computer system integration for commercial application, multimedia and conferencing display systems, industrial office and commercial access control systems, voice and data cabling, security and surveillance perimeter alarm systems, PC upgrade and software installations, office and commercial control center design and installation systems, automatic data backup systems, server design and installation, HDTV signal and reception boost, ambient client music systems, and multi-room and facility audio phone systems.

Research and Development Efforts of Power Line Communication

Power Line Communication (“PLC”) technology is a communication technology that enables sending data over existing power cables. One advantage of this technology is that PLC does not require substantial new investment for its communications infrastructure. Rather, PLC utilizes existing power lines, thereby forming a distribution network that already penetrates all residential, commercial and industrial premises. Accordingly, connectivity via PLC technology is potentially the most cost-effective, scalable interconnectivity approach for the IoT. We believe PLC technology can be an integral part of our communication infrastructure for the IoT, which enables reliable, real-time measurements, monitoring, and control. A large variety of appliances may be interconnected by transmitting data through the same wires that provide electrical energy.

Our patented PLC technology uses an ultra-narrowband spectrum channel of less than 1 KHz to establish a long-distance link between transmitter and receiver. Thus, we believe that our proprietary ultra-narrowband PLC technology will offer a promising alternative to wireless networks and provide the backbone communication infrastructure for IoT devices.

The primary design goal of the power line network is electric power distribution, not data transmission. The harsh electrical noise present on power lines and variations in equipment and standards make data transmission over the power grid difficult. These technological challenges have impeded, or even halted, progression of PLC technology.

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We continue to build upon our existing research and development with the intention of inventing an ultra-narrowband PLC technology that attempts to tackle two challenges: (1) overcoming interference caused by electronic noise on the power line system; and (2) bandwidth. Preliminary internal testing suggests that we have achieved significant noise rejection and interference suppression. In our preliminary internal testing, we have been able to increase bandwidth to 4 megabits per second with the potential for more, while simultaneously effectively dealing with electrical noise and interference. Based on the promising results of our internal testing, we have begun designing a proprietary PLC microchip.

We believe that because residential and commercial structures already include multiple power outlets, the power line infrastructure represents an excellent network to share data among intelligent devices, particularly in the smart home installations that we are currently performing through AVX.

We plan to leverage the communications technology of PLC to enhance the Ubiquitor and make the Ubiquitor a central component of the smart home and gardening systems we are currently developing. The goal would be that our Ubiquitor would be used to send or receive control signals from a smart device and control hundreds of devices in near real time. We intend to apply the same concept to commercial and industrial applications.

Research and Development Efforts of 5G Cellular Technology

Just like our ultra-narrowband technology can be used to effectively reduce noise in powerline communication technology, our internal research suggests that our ultra-narrowband technology can be leveraged to create a type of 5G wireless communication technology that can achieve both low band 5G coverage and an estimated 1 Gbps high band speed. We employ an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between the 5G base station and the receiver which reduces noise and interference entering the bandwidth.

For a description of the ultra-narrowband technology and the 5G applications, see “Part I - Item 1. Business, Section 2. “Creating a faster 5G cellular technology by using ultra-narrowband technology” in our Annual Report on Form 10-K filed with the SEC on **March 31, 2023** **April 1, 2024**.

Intellectual Property Protection

On November 4, 2016, we filed a U.S. patent application number 15/344,041 with the U.S. Patent and Trademark Office (USPTO). On March 5, 2018, we issued a press release announcing that the USPTO published an Issue Notification for U.S. Patent Application No. 9924295 entitled “Universal Smart Device,” which covers a patent application regarding the Company’s Universal Smart Device. The patent was issued on March 20, 2018.

Subsequent to our internal research and development efforts, we filed with the USPTO on June 2, 2017 a patent application regarding a process for improving a spectral response curve of a photo sensor. The small and cost-effective multicolor sensor and its related software protected by the patent we believe could achieve a spectral response that approximates an ideal photo response to take optical measurement. The resulting U.S. Patent No. 10,251,037 was issued on February 26, 2019.

In addition, On March 19, 2018, we have been notified that the USPTO published a notice of allowance for a patent application we filed on March 19, 2018, U.S. Patent Application No. 15/925,400. The patent title is a “Universal Smart Device,” which is a universal smart instrument that unifies heterogeneous measurement probes into a single device that can analyze, publish, and share the data analyzed. The resulting U.S. Patent No. 10,251,037 was issued on April 2, 2019.

On November 29, 2019, the Company filed an international utility patent application through the Patent Cooperation Treaty (PCT) as International Patent Application No. PCT/US2019/63880. On September 6, 2022, the International Searching Authority (ISA) issued a favorable International Preliminary Report of Patentability (IPRP) regarding this patent application, which describes the Company’s PLC technology. The IPRP cited only three category “A” documents, indicating that the Company’s application met both the novelty and non-obviousness patentability requirements. Consequently, the Company is optimistic that a patent including claims directed to its PLC technology will be issued in due course and will allow the Company to protect its PLC technology.

In the fourth quarter of 2021, we hired the law firm of Knobbe, Martens, Olson & Bear, LLP (“Knobbe Martens”) to serve as outside intellectual property counsel for the Company. The firm is working on converting the Company’s provisional patent applications to formal nonprovisional patent applications and expanding existing patent portfolios. In addition, Knobbe Martens is working on filing four previously unfiled patents and pursuing patent coverage in Europe and Australia. In addition, in May 2022, the Company engaged Chang & Hale, LLP as suggested by our counsel at Knobbe Martens to assist with two new patents, noting that Knobbe Martens still remains our main IP counsel. Currently, the Company has 18 pending U.S. nonprovisional patent applications and 9 issued U.S. patents.

The Company’s patent number 11,488,468 was allowed and subsequently issued on November 1, 2022. The patent is titled “Sensor for Detecting the Proximity of an IEEE 802.11 Protocol Connectable Device.” On November 7, 2023, our patent application titled “Activated Carbon Air Filter” issued as U.S. Patent No. 11,806,654. We also just received an issue notification from the USPTO, indicating that our patent application titled “Electronic Lock and Method of Operation” will issue on November 21, 2023, as U.S. Patent No. 11,823,513.

Competitors

We have identified several competitors specifically in the wireless sensor node industry, including traditional instruments or device manufacturers. Hach developed and launched the SC1000 Multi-parameter Universal Controller, a probe module for connecting up to 32 digital sensors or analyzers. However, their products are not compatible with smart phones yet; and we believe their price point is still prohibitive to consumers. Monnit Corporation offers a range of wireless and remote sensors. Many of Monnit's products are web-based wireless sensors that usually are not portable because of their power consumption. Also, the sensors' real-time updates are slow; and we believe security of the web-based sensor data acquisition may also be a concern. In addition to purchasing the device, consumers usually have to pay monthly fees for using web-based services. We are not trying to compete with traditional instruments or device manufacturers because we utilize our Ubiquitor device in conjunction with our smartphone application, which we believe will be a completely different product category.

IoT Installation Industry

There are several companies that compete with AVX in smart home installations, including Vivint Smart Home, Savant, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering substantially more customization and interoperability with existing platforms. While our service offerings do not rely on always providing the entire installation for the end client, our company is able to seamlessly provide accenting, replacement, or conversion home automation systems which are easier to use and interoperate for the end client, and with limited rewiring. Complete installation by Crestron ranges between \$100,000 and \$500,000 and an installation by Control4 ranges between \$70,000 and \$250,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$50,000 to install; however, we understand that the Vivint Smart Home focuses on security systems only and that users have no other smart applications, which our smart home product line would include. Our sales staff have encountered a growing client base of unhappy customers with the pre-existing and completely siloed platform systems that reportedly are not easy to use or program, require costly specialty service for simple operations, are subject to lengthy software and hardware backlogs, and despite being based on the same platform, fail to operate compatibly, possessing frequent errors and bugs.

Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. Air purification methods are an effective way to control contaminants and improve indoor air quality; and as a result, many national and local governments overseeing indoor air quality and other emissions are enacting stricter workforce health and safety regulations in this area, which drives demand.

Market Potential

We believe universal wireless smart technology will play a critical role for traditional instrument manufacturers, as currently the undertaking of an IoT project is simply too expensive and difficult to develop for medium or smaller companies and carries a 75% failure rate according to Cisco Systems.¹ The cost factor is the first consideration when deciding whether a company wants to develop smart wireless technologies and implement them into their products or use them in their field testing. We also hope to play a role in academic laboratories, particularly with smaller academic laboratories that are sensitive to price. Regarding the larger IoT industry statistics, overall enterprise IoT spending increased to \$201 billion in 2022, an increase of 21.5%. The outlook for growth in 2023 is 18.5% from this large base of enterprise spending.² More specifically, the IoT sensors market is projected to reach \$26 billion by 2026 from \$11.1 billion in 2022.³ The IoT marketplace size assessments usually include the hardware components and the software components, which often contain a Software as a Service (SaaS) model. Additionally, the rising need for reliable high bandwidth communication for IoT devices is expected to rise to \$664.75 billion in 2028, spearheaded by the currently predominant services in the 5G category.⁴ We would also expect this market to grow with the addition of new categories of services delivering reliable high bandwidth communication for IoT devices and would cannibalize and expand the existing services where the new services proved to be more effective and efficient.

We also expect our recent growth within our _____

¹ Cisco Systems, Connected Futures, Executive Business Insights, May 2017, The Journey to IOT Value, Challenges, Breakthroughs, and Best Practices, <https://newsroom.cisco.com/c/r/newsroom/en/us/a/y2017/m05/cisco-survey-reveals-close-to-three-fourths-of-iot-projects-are-failing.html>

² IoT Installation Services segment and acquisition of AT Tech Systems coupled with the new management within AVX to bolster and complement both companies, and all other related installation businesses of these IoT products. The number of new contracts we have signed thus far in a limited amount of time through the nine months ended September 30, 2023 is 22 with an average value of \$42,125 and a total collection value of \$796,850 in signed contracts. Additionally, thus far, we have an aggregate \$1,818,668 in contracts agreed in principle, of which we expect to be signed and deposits paid. This is compared to our highest AVX revenue for a calendar year of \$817,233 in 2019, followed by \$705,877 in 2020, \$252,958 in 2021, and \$260,871 in 2022. Our sales target Analytics, Market Insights for the year are 31 service contracts, Internet of which we have already signed 22. We have targeted 16 LED contracts Things, February 7, 2023, Global IoT market size to grow 19% in 2023—IoT shows resilience despite economic downturn, <https://iot-analytics.com/iot-market-size/>

³ Markets and Markets, IoT Sensors Market by Sensor Type, Network Technology, Vertical, Application, and Geography – Global Forecast -2026, <https://www.marketsandmarkets.com/Market-Reports/sensors-iot-market-26520972.html>

⁴ Cision PRNewswire, Research and Markets, Global \$664.75 Billion 5G Services Markets to 2028: Rising Need for 2023, of which we have signed 9 thus far. We have also target distribution and partnerships agreements and phone line contracts, all of which have already begun in the third quarter of 2023. While statistics regarding the High Bandwidth to Provide Reliable Communication to IoT installation sectors are difficult Devices is Expected to aggregate given that the work is often are pieced off into various contractor service categories, the residential custom installation market ranges from \$5.7 billion to \$12.1 billion,⁵ and we would expect the commercial and industrial installation markets to be larger than the residential for IoT devices. Boost Overall Market Growth, <https://www.prnewswire.com/news-releases/global-664-75-billion-5g-services-markets-to-2028-rising-need-for-high-bandwidth-to-provide-reliable-communication-to-iot-devices-is-expected-to-boost-overall-market-growth-301432173.html>

Results of Operations

For the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023

Revenue, cost of revenue and gross profit

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	Increase (Decrease) \$
Revenue	\$ 318,370	\$ 54,686	\$ 263,684
Revenue – related party	–	5,968	(5,968)
Total Revenue	318,370	60,654	257,716
Cost of revenue	201,394	42,441	158,953
Gross Profit	<u>\$ 116,976</u>	<u>\$ 18,213</u>	<u>\$ 98,763</u>

Revenue in operating segments is primarily generated from IoT product and IoT project construction and installation services. The following tables summarize revenue from each segment.

	For the Three Months Ended March 31, 2024			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 179,505	\$ 39,653	\$ 219,158
Cost of revenue	–	105,082	114,275	219,357
Gross Profit (Loss)	<u>\$ –</u>	<u>\$ 74,423</u>	<u>\$ (74,622)</u>	<u>\$ (199)</u>

	For the Three Months Ended March 31, 2023			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 13,281	\$ 222,814	\$ 236,095
Cost of revenue	–	8,803	171,941	180,744
Gross Profit	<u>\$ –</u>	<u>\$ 4,478</u>	<u>\$ 50,873</u>	<u>\$ 55,351</u>

	For the three months ended March 31, 2024	For the three months ended March 31, 2023	Increase (Decrease) \$
Revenue	\$ 219,158	\$ 236,095	\$ (16,937)
Cost of revenue	219,357	180,744	38,613
Gross Profit (Loss)	<u>\$ (199)</u>	<u>\$ 55,351</u>	<u>\$ (55,550)</u>

Our consolidated gross revenue for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was \$318,370 \$219,158 and \$60,654, respectively, which included revenue from related parties of \$0 and \$5,968, \$236,095, respectively. Revenue for the three months ended September 30, 2023 increased \$257,716 March 31, 2024 decreased \$16,937 due to a sales increase decrease from our acquisition of AT Tech Systems and sales increase in AVX sales IoT installation service due to ramping up marketing efforts. This increase a reduction in the number of revenue was mainly a result of the increase of IoT Installation Services being bolstered by additional resources such as increased headcount.

¹ Cisco Systems, Connected Futures, Executive Business Insights, May 2017, The Journey to IOT Value, Challenges, Breakthroughs, and Best Practices, <https://newsroom.cisco.com/c/r/newsroom/en/us/a/y2017/m05/cisco-survey-reveals-close-to-three-fourths-of-iot-projects-are-failing.html>

² IoT Analytics, Market Insights for the Internet of Things, February 7, 2023, Global IoT market size to grow 19% projects in 2023 —IoT shows resilience despite economic downturn, <https://iot-analytics.com/iot-market-size/> 2024.

³ Markets and Markets, IoT Sensors Market by Sensor Type, Network Technology, Vertical, Application, and Geography – Global Forecast -2026, <https://www.marketsandmarkets.com/Market-Reports/sensors-iot-market-26520972.html>

⁴ Cision PRNewswire, Research and Markets, Global \$664.75 Billion 5G Services Markets to 2028: Rising Need for High Bandwidth to Provide Reliable Communication to IoT Devices is Expected to Boost Overall Market Growth, <https://www.prnewswire.com/news-releases/global-664-75-billion-5g-services-markets-to-2028-rising-need-for-high-bandwidth-to-provide-reliable-communication-to-iot-devices-is-expected-to-boost-overall-market-growth-301432173.html>

⁵ How Big Is the Custom Installation Market?, February 5, 2018 (updated July 17, 2023), https://www.ceproweb.com/news/how_big_is_custom_installation_market/.

Cost of revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$201,394**, **\$219,357**, compared to **\$42,441** **\$180,744** for the three months ended **September 30, 2022** **March 31, 2023**. While the overall cost of revenue increased, as a percent of revenue, costs went down as a result of higher margin contracts for IoT Installation Services being signed. In addition to the **increase** **decrease** in revenue, gross profit **increased** **decreased** to **\$116,976** for the **\$199** compared to **\$55,351** three months ended **September 30, 2023**, compared to **\$18,213** for the three months ended **September 30, 2022**.

Operating Expenses **March 31, 2024** and **2023**, respectively.

The major components of our **cost** and **operating expenses** for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** are outlined in the table below:

	For the three months ended	For the three months ended	Increase (Decrease) \$	For the three months ended	For the three months ended	Increase (Decrease) \$
	September 30, 2023	September 30, 2022		March 31, 2024	March 31, 2023	
Selling expense	33,636	76,984	(43,348)	\$ 39,285	\$ 11,859	\$ 27,426
Compensation – officers and directors	267,002	265,449	1,553	56,793	307,534	(250,741)
Research and development	305,872	133,109	172,763	343,277	276,481	66,796
Professional fees	132,914	150,943	(18,029)	352,611	257,399	95,212
General and administrative	407,851	365,694	42,157	527,645	443,052	84,593
Total operating expenses	\$ 1,147,275	\$ 992,179	\$ 155,096	\$ 1,319,611	\$ 1,296,325	\$ 23,286

Selling **expense** **expenses** for the three months ended **September 30, 2023** **March 31, 2024** was **\$33,636**, **\$39,285**, compared to **\$76,984** **\$11,859** for the three months ended **September 30, 2022** **March 31, 2023**. Selling expense incurred was mainly from third party advertising fees and marketing related fees. The **decrease** **increase** of selling expense was due to a **decrease** **an increase** in advertising fees and trade show expenses. fees.

Compensation – officers and directors was **\$267,002** were **\$56,793** and **\$265,449** **\$307,534** for the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively. The increase was due to an increase in the compensation amount received by the board of directors.

Research and development costs were **\$305,872** **\$343,277** and **\$133,109** **\$276,481** for the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively. The increase was due to an increase in the number of research and development employee headcount in the Ontario, California headquarters and the Shenzhen, China subsidiary, patent fees.

Professional fees were **\$132,914** **\$352,611** during the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$150,943** **\$257,399** during the three months ended **September 30, 2022** **March 31, 2023**. The **decrease** **increase** in these professional

fees compared to the prior period was due to a decrease in new transaction-based professional legal paperwork fees for the Company (as much of this paperwork was completed earlier) and a decrease in prior employment litigation legal fees. litigation.

General and administrative expenses for the three months ended September 30, 2023 March 31, 2024 was \$407,851, \$527,645 compared to \$365,694 for \$443,052 during the three months ended September 30, 2022 March 31, 2023. The primary reason for the increase of general and administrative expenses was primarily due to an increase in overall payroll tax the number of office employees in 2023, 2024.

Other Income (expense)

Other income for the three months ended September 30, 2023 March 31, 2024 was \$62,266, \$4,213, compared to \$31,946 \$126,731 for the three months ended September 30, 2022 March 31, 2023. The increase decrease was due to \$30,000 consulting advisory service decreased other income provided to an independent third party. and unrealized gain on marketable equity securities.

Net Losses

During the three months ended **September 30, 2023** **March 31, 2024** and **2022**, we incurred net losses of **\$968,033** **\$1,315,597** and **\$942,020**, **\$1,114,243** respectively, due to the factors discussed above.

For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Revenue, cost of revenue and gross profit

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	Increase (Decrease) \$
Revenue	\$ 769,856	\$ 242,675	\$ 527,181
Revenue – related party	–	39,788	(39,788)
Total Revenue	769,856	282,463	487,393
Cost of revenue	531,397	243,004	288,393
Gross Profit	\$ 238,459	\$ 39,459	\$ 199,000

Our consolidated gross revenue for the nine months ended September 30, 2023 and 2022 was \$769,856 and \$282,463 respectively, which included revenue from related parties of \$0 and \$39,788, respectively. Revenue for the nine months ended September 30, 2023 increased \$487,393 due to a sales increase from our acquisition of AT Tech Systems and sales increase in AVX sales due to ramping up marketing efforts. This increase of revenue was mainly a result of the increase of IoT Installation Services being bolstered by additional resources such as increased headcount.

Cost of revenue for the nine months ended September 30, 2023 was \$531,397, compared to \$243,004 for the nine months ended September 30, 2022. While the overall cost of revenue increased, as a percent of revenue, costs went down as a result of higher margin contracts for IoT Installation Services being signed. In addition to the increase in revenue, gross profit increased to \$238,459 for the nine months ended September 30, 2023, compared to \$39,459 for the nine months ended September 30, 2022.

Operating Expenses

The major components of our operating expenses for the nine months ended September 30, 2023 and 2022 are outlined in the table below:

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	Increase (Decrease) \$
Selling expense	\$ 108,570	\$ 132,871	\$ (24,301)
Compensation – officers and directors	827,939	874,739	(46,800)
Research and development	925,345	862,214	63,131
Professional fees	506,878	686,150	(179,272)
General and administrative	1,212,486	1,586,660	(374,174)
Total operating expenses	\$ 3,581,218	\$ 4,142,634	\$ (561,416)

Selling expense for the nine months ended September 30, 2023 was \$108,570, compared to \$132,871 for the nine months ended September 30, 2022. Selling expense incurred was mainly from third party advertising fees and marketing related fees. The decrease of selling expense was due to a decrease in advertising fees and trade show expenses.

Compensation – officers and directors was \$827,939 and \$874,739 for the nine months ended September 30, 2023 and 2022, respectively. The decrease was due to a decrease in the number of members of the board of directors in 2023.

Research and development costs were \$925,345 and \$862,214 for the nine months ended September 30, 2023 and 2022, respectively. The increase was due to an increase in total number of research and development employee headcount in the Ontario, California headquarters and the Shenzhen, China subsidiary.

Professional fees were \$506,878 during the nine months ended September 30, 2023, compared to \$686,150 during the nine months ended September 30, 2022. The decrease in these professional fees compared to the prior period was due to a decrease in new transaction-based legal paperwork for the Company (as much of this paperwork was completed earlier) and a decrease in employment litigation legal fees.

General and administrative expenses for the nine months ended September 30, 2023 was \$1,212,486, compared to \$1,586,660 for the nine months ended September 30, 2022. The primary reason for the decrease was due to decreases in general and administrative salaries from \$579,958 to \$223,957 in 2023, lease expense from \$280,311 to \$104,156 in 2023, and insurance expense from \$330,768 to \$240,078 in 2023. The relating decrease was due to the following reasons:

- a) Decreased number of general and administrative employees in our headquarters due to outsourcing of work to third parties;
- b) Relocated Focus Shenzhen office to lower lease expense; and
- c) Obtained better insurance deal from another insurance company.

Other Income (expense)

Other income for the nine months ended September 30, 2023 was \$242,317 compared to \$230,928 for the nine months ended September 30, 2022. The increase was due to \$61,747 gain on bargain purchase and \$30,000 consulting advisory services income provided to an independent third party.

Net Losses

During the nine months ended September 30, 2023 and 2022, we incurred net losses of \$3,100,442 and \$3,872,247, respectively, due to the factors discussed above.

Liquidity and Capital Resources

Working Capital

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Current Assets	\$ 2,040,669	\$ 4,807,830	\$ 715,853	\$ 1,028,278
Current Liabilities	(1,409,497)	(1,387,239)	(2,548,448)	(1,657,646)
Working Capital	\$ 631,172	\$ 3,420,591	\$ (1,832,595)	\$ (629,368)

Cash Flows

The table below, for the periods indicated, provides selected cash flow information:

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Net cash used in operating activities	\$ (2,603,545)	\$ (2,435,157)
Net cash provided by (used in) investing activities	54,472	(177,738)
Net cash used in financing activities	(385,686)	–
Effect of exchange rate	20	(3,352)
Net change in cash	\$ (2,934,739)	\$ (2,616,247)

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Net cash used in operating activities	\$ (892,089)	\$ (838,535)
Net cash provided by (used in) investing activities	(5,044)	61,824
Net cash provided by (used in) financing activities	550,000	(1,000,000)
Effect of exchange rate	(2,285)	3,760
Net change in cash	<u>\$ (349,418)</u>	<u>\$ (1,772,951)</u>

Cash Flows from Operating Activities

Our net cash outflows from operating activities of ~~\$2,603,545~~ \$892,089 for the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024 was primarily the result of our net loss of ~~\$3,100,442~~ \$1,315,597 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes ~~an increase in accounts receivable of \$101,461~~, a decrease in accounts receivable – related party of ~~\$34,507~~, \$72,605, an increase in ~~inventories~~ inventory of ~~\$196,201~~, an increase ~~\$125,286~~, a decrease in other receivables receivable of ~~\$10,000~~, a decrease ~~\$20,435~~, an increase in prepaid expense of ~~\$31,811~~ a decrease in deposit of ~~\$8,388~~, \$14,041, a decrease in operating lease right-of-use asset of ~~\$25,585~~, \$21,039, an increase in accounts payable and accrued liabilities of ~~\$53,709~~, \$268,420, an increase in other current liabilities of ~~\$33,759~~, \$68,957, and a ~~decrease~~ an increase in lease liabilities of ~~\$58,987~~, \$64,960. Non-cash expense included add-backs of ~~\$6,871~~, \$7,629 in bad debt expense, ~~\$127,171~~, \$35,330 in depreciation expense, ~~\$28,741~~, \$1,475 in amortization of intangible assets, ~~\$2,002~~ in realized unrealized loss on marketable securities, ~~\$183,004~~, \$94,910 in stock-based compensation - shares, and ~~\$400,208~~, \$36,995 in stock option compensation, reductions of ~~\$10,463~~ in unrealized gain on marketable equity securities, and ~~\$61,747~~ in gain on bargain purchase, compensation.

Our net cash outflows from operating activities of ~~\$2,435,157~~ \$838,535 for the ~~nine~~ three months ended ~~September 30, 2022~~ March 31, 2023 was primarily the result of our net loss of ~~\$3,872,247~~ \$1,114,243 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes ~~an increase~~ a decrease in accounts receivable of ~~\$32,257~~, an increase \$8,832, a decrease in accounts receivable – related party of ~~\$45,413~~, an increase \$34,507, a decrease in inventories of ~~\$5,087~~, a decrease \$13,109, an increase in prepaid expense of ~~\$116,648~~, an \$80,511, a decrease in deposit of ~~\$1,998~~, a decrease \$8,617, an increase in operating lease right-of-use asset of ~~\$226,468~~, an \$16,075, a decrease in accounts payable and accrued liabilities of ~~\$120,121~~, a decrease \$20,011, an increase in other current liabilities of ~~\$17,135~~, an decrease in customer deposit of ~~\$271~~, \$98,838, and a decrease in lease liabilities of ~~\$94,542~~, and an increase in other liabilities of ~~\$12,335~~, \$50,885. Non-cash expense included add-backs of ~~\$72,108~~ \$5,114 in bad debt expense, ~~\$21,133~~ in reduction of inventory fair value adjustments, ~~\$123,908~~ \$42,041 in depreciation expense, ~~\$32,525~~ \$28,741 in unrealized loss on marketable equity securities, ~~\$21,205~~ amortization of intangible assets, \$14,901 in realized loss on marketable securities, ~~\$158,547~~ in gain on forgiveness of debt, ~~\$671,901~~ \$149,404 in stock-based compensation - shares, and ~~\$652,500~~ \$133,403 in stock option compensation. compensation, reduces of ~~\$32,570~~ in unrealized gain on marketable equity securities and ~~\$61,747~~ in gain on bargain purchase.

We expect that cash flows from operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our net revenues and operating results, utilization of new revenue streams, in line with our shifting revenue streams, collection of accounts receivable, and timing of billings and payments.

Cash Flows from Investing Activities

For the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024 we had cash outflow from investing activities of ~~\$5,044~~ from the purchase of property and equipment. For the three months ended ~~March 31, 2023~~, we had cash inflow from investing activities of ~~\$54,472~~, \$61,824. That inflow was primarily the result from the purchase of property and equipment of ~~\$20,294~~, \$9,920, purchase of marketable securities of ~~\$144,907~~, \$17,690, and proceeds from sales of marketable securities of ~~\$219,673~~. For the ~~nine~~ months ended ~~September 30, 2022~~, we had cash outflow from investing activities of ~~\$177,738~~. That outflow was primarily the result of the purchase of property and equipment of ~~\$39,193~~, purchase of marketable securities of ~~\$768,949~~, and proceeds from sales of marketable securities of ~~\$630,404~~, \$89,434.

Cash Flows from Financing Activities

For the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024, we had cash inflows of ~~\$550,000~~ due to proceeds from third party and related party loan amount of ~~\$600,000~~ and repayment on third party loan amount of ~~\$50,000~~. For the three months ended ~~March 31, 2023~~, we had cash outflows of ~~\$385,686~~ \$1,000,000 due to purchase of treasury stock of ~~\$1,385,686~~ and proceeds from related party loan of ~~\$1,000,000~~. There were no financing activities for the ~~nine~~ months ended ~~September 30, 2022~~, stock.

Going Concern

The Company has assessed its ability to continue as a going concern for a period of one year from the date of the issuance of these ~~unconsolidated~~ condensed consolidated financial statements. The Company has a net loss of ~~\$1,315,597~~ and \$1,114,243 for the ~~three~~ months ended ~~March 31, 2024~~ and ~~2023~~, respectively. In addition, the Company had an accumulated deficit of ~~\$23,897,767~~ and ~~\$22,582,170~~ as of ~~March 31, 2024~~ and ~~December 31, 2023~~, respectively, and negative cash flow from operating activities of ~~\$892,089~~ and \$838,535 for the ~~three~~ months ended ~~March 31, 2024~~ and ~~2023~~, respectively. Substantial doubt about the Company's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year from the financial statement issuance date. The accompanying ~~unaudited~~ condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern. The Company currently suffered recurring loss from operations, generated negative cash flow from operating activities, has an accumulated deficit and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. These conditions raise substantial doubt as to its ability to continue as a going concern. These ~~unaudited~~ condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has a net loss of \$3,100,442 and \$3,872,247 for the nine months ended September 30, 2023 and 2022, respectively. In addition, At March 31, 2024, the Company had an accumulated deficit cash and cash equivalents, and short-term investments, in the amount of \$20,964,470 and \$17,864,028 as of September 30, 2023 and December 31, 2022, respectively, and negative cash flow from operating activities of \$2,603,545 and \$2,435,157 for the nine months ended September 30, 2023 and 2022, respectively. As noted above, the Company's \$114,096. The ability to continue as a going concern is dependent on the Company attaining and maintaining profitable operations in the future and raising additional capital to meet its ability obligations and repay its liabilities arising from normal business operations when they come due. Since inception, the Company has funded its operations primarily through equity and debt financings, and it expects to raise continue to rely on these sources of capital in the future. In addition, subsequent to year end, the Company has entered into a letter of intent with a secondary buyer to sell its land and buildings which upon completion, will provide additional capital, working capital to the Company. No assurance can be given that the sale of the land and building will occur, or any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in case of equity financing, or grant unfavorable terms in future licensing agreements. The Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements do not include any adjustments relating to for the recoverability and classification of reported asset amounts or year ended December 31, 2023, has also expressed substantial doubt about the amount and classification of liabilities that might be necessary should the Company be unable Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

As of **September 30, 2023** **March 31, 2024**, we did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation SK.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a15(e) and 15d15(e) under the Securities and Exchange Act of 1934, at the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to our Company, particularly during the period when this report was being prepared.

Our management concluded we did not maintain effective controls over the Company's financial reporting. The material weaknesses in our internal control over financial reporting, caused principally by inadequate staffing and technical expertise in key positions, resulted in overly relying on outside consultants to make numerous adjustments to our financial statements. Additionally, the significant deficiencies or material weaknesses could result in future material misstatement of the consolidated financial statements that would not be prevented or detected. Management has concluded that the identified control deficiencies constitute a material weakness.

Changes in Internal Control internal control over Financial Reporting, financial reporting.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Internal Controls

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We were not subject to any new legal proceedings during the **nine** **three** months ended **September 30, 2023**; **March 31, 2024** and there are currently no new legal proceedings, to which we are a party, which could have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

No shares or common stock were sold during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No senior securities were issued and outstanding during the **nine-month** **three-month** periods ended **September 30, 2023** **March 31, 2024** or **2022**, **2023**.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our Company.

ITEM 5. OTHER INFORMATION

Our common stock trades on the Nasdaq Global Market under the symbol “FCUV.”

During the quarter ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

The following financial information is filed as part of this report:

(a) (1) FINANCIAL STATEMENTS

(2) SCHEDULES

(3) EXHIBITS. The following exhibits required by Item 601 to be filed herewith are incorporated by reference to previously filed documents:

Exhibit	
<u>Number</u>	<u>Description</u>

10.1	Loan Agreement with Golden Sunrise Investment LLC, dated August 24, 2023 for \$1,000,000.*
31.1	Certification of CEO pursuant to Sec. 302
31.2	Certification of CFO pursuant to Sec. 302
32.1	Certification of CEO pursuant to Sec. 906
32.2	Certification of CFO pursuant to Sec. 906

101.INS	XBRL Instances Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*** Filed herewith.**

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.

Focus Universal Inc.

Dated: November 17, 2023 May 15, 2024

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer

Dated: November 17, 2023 May 15, 2024

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer

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Exhibit 10.1

LOAN AGREEMENT

\$1,000,000.00

Date: August 24, 2023

For value received, the undersigned Focus Universal Inc., a Nevada Corporation ("Borrower"), promises to pay to the order of Golden Sunrise Investment LLC, a California limited liability company ("Lender"), at 22443 Ridge Line Rd. Diamond Bar CA 91765 (or at such other place as the Lender may designate in writing), and Lender agrees to lend to the Borrower, the sum of One Million U.S. Dollars (\$1,000.000.00) at the rate of Twelve Percent (12 %) per annum fixed (the "Loan") until the date it is due.

I. TERMS OF REPAYMENT

A. Payments

Upon Borrower signing this Loan Agreement, the Borrower shall make monthly interest payments of Ten Thousand Dollars (\$10,000.00) to the Lender, covering the interest on the Loan until the due date.

The principal and any accrued interest of the Loan shall be fully payable on August 25, 2024, or Twelve (12) Months from the date the Loan is funded, whichever is later (the "Due Date").

Any unpaid principal after the Due Date or following any default by the Borrower as described below shall accrue interest at a fixed rate of 15% per annum until fully paid.

In addition, Borrower will pay for: (a) all attorneys' fees incurred by Lender in connection with the preparation of the loan documents, (b) the ALTA Loan title insurance issued by First American Title for the benefit of the Lender, and (c) all recording fees and service fees related to the recording of any document to protect Lender's security with regards to the properties in the State of California.

Borrower will also pay the broker service fee. This Loan transaction was meticulously orchestrated and subjected to scrutiny by the distinguished Real Estate Broker Country Queen Real Estate, (insert name of broker), Country Queen Real Estate (the "Broker"). In this capacity, Broker, an esteemed real estate broker, served as an impartial third-party intermediary, distinct from any direct involvement as a contractual party to the Loan arrangement. The Broker, in the

capacity of an intermediary, diligently facilitated the acquisition and origination of the Loan. In the course of executing this role, Broker Country Queen Real Estate undertook pivotal actions, including, but not limited to, the following:

- Structuring the Loan in the capacity of an agent on behalf of the Lender, thereby intricately establishing parameters for the interest rate and associated points.
- Formulating the terms of the forbearance agreement, an integral component of the Loan arrangement.
- Engaging in a comprehensive review of the Loan documentation and the corresponding forbearance instruments, ensuring legal compliance and adherence to established standards.
- Conducting meticulous title searches and effectively obtaining the title report pertinent to the property secured (fully described below and defined as the “Secured Property”) as collateral for the Loan.

The Broker's involvement extended to evaluating and verifying the terms of the Loan Agreement.

B. Application of Payments

All payments on this Loan Agreement shall be applied first in payment of accrued interest and any remainder in payment of principal.

II. SECURITY

This Loan Agreement shall be secured by a Deed of Trust on the real property owned by the Borrower ("Secured Property") commonly known as: 2311 East Locust Street, Ontario, CA 91761, in the County of San Bernardino, State of California (APN: 0113-396-09-0-000).

III. GUARANTEES

- A.** Any and all of Borrower's obligations under this Loan Agreement and any other related agreements shall be personally guaranteed by Borrower, as fully set forth in the attached Exhibit A, the terms of which are fully incorporated herein and made a part hereto.
- B.** In consideration of the extension of credit by the Lender to the Borrower, the Borrower/Guarantor hereby agrees to indemnify, defend, and hold harmless the Lender, as fully set forth in the attached Exhibit B, the terms of which are fully incorporated herein and made a part hereto.

IV. PREPAYMENT

The Borrower reserves the right to prepay this Loan Agreement (in whole or in part) prior to the Due Date with no prepayment penalty. Borrower agrees that in the event of any prepayment, any interest that is paid but not due shall become non-refundable and be deemed as additional interest on the loan.

V. COLLECTION COSTS

If any action or proceeding is commenced that would materially affect Lender's interest in the Secured Property or if Borrower fails to comply with any provision of this Agreement, including but not limited to Borrower's failure to pay when due any amounts Borrower is required to pay under this Agreement, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Secured Property and paying all costs for insuring, maintaining and preserving the Secured Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorney's fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

VI. DEFAULT

If any of the following events of default occur, this Loan Agreement and any other obligations of the Borrower to the Lender, shall become immediately due, without demand or notice:

- 1) the failure of the Borrower to pay the principal and any accrued interest when due;
- 2) the liquidation, or decease or becoming legally incompetent of the Borrower;
- 3) the filing of bankruptcy proceedings involving the Borrower as a debtor;
- 4) the application for the appointment of a receiver for the Borrower;
- 5) the making of a general assignment for the benefit of the of the Borrower's creditors;
- 6) the insolvency of the Borrower;
- 7) a misrepresentation by the Borrower to the Lender for the purpose of obtaining or extending credit;
- 8) the sale of a material portion of the business or assets of the Borrower;
- 9) Any default in the deed of trust securing this loan, or judicial or non-judicial foreclosure proceedings against the Secured Property;
- 10) Any sale, transfer, assignment, or any other disposition of title to the Secured Property;
- 11) Any of the Undertakings or representations is deemed incorrect when made or failed to be made;
- 12) Other than Permitted Liens, Borrower has or shall have entered into or granted any security agreement, or permitted the filing or attachment of any security interest on or affecting any of the Secured Property directly or indirectly securing repayment of Borrower's obligations under this Loan Agreement and Note that would be prior or that may in any way be superior to Lender's security interest and rights in and to such Secured Property;
"Permitted Liens" shall mean (1) liens and security interest securing indebtedness owed by Borrower to Lender (2) liens for taxes, assessment, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interest upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement (5) liens and security interest which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing;
- 13) In the event of default, the Borrower shall bear the obligation for any and all costs, expenses, and attorney's fees incurred in pursuit of collection, foreclosure, and sales proceedings. The Lender shall possess a vested interest in the collateral securing the Loan, including any associated property, for the purpose of covering the costs and fees that have been incurred by Lender. This vested interest shall continue until the complete settlement of all outstanding amounts due, in accordance with the stipulations set forth in this Loan Agreement and the promissory note.

VII. UNDERTAKINGS

Borrower agrees to the following without limitation:

1. To maintain the Secured Property in good order and operating conditions and in compliance with any applicable building codes and ordinances;
2. To notify Lender immediately of any insurance claims in any amount over \$10,000 per claim or \$20,000 cumulative claims over a 3-month period on any Secured Property; and
3. To maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower will deliver to Lender from time to time the policies or certificate of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least 30-day prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission, or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the loan, Borrower will provide Lender with such lender's loss payable or other endorsement as Lender may require.

VIII. TAXES AND DEDUCTIONS

All payments due under any operative documents related with this Loan Agreement shall be made free and clear of any deduction for any present or future taxes, set off, counterclaims, withholding, levies, charges, duties or any other taxes imposed by local governments. The loan documents will include the customary provisions and carve-outs in respect of taxes deducted or withheld from payments so that the net amount received by Lender shall be the same as if such taxes deducted or withheld from payment would not have existed.

IX. INDEMNIFICATION OF LENDER

The Borrower hereby indemnifies and holds harmless the Lender from and against any and all liabilities, losses, increased cost, charges, penalties, costs or claims arising out of, or damages caused as a consequence of the ownership, financing, operation, possession, use and/or maintenance of any Secured Property during the Loan Term, the transactions contemplated hereby and other customary matters (including to third parties), except to the extent caused by the Lender's gross negligence or willful misconduct.

X. SEVERABILITY OF PROVISIONS

If any one or more of the provisions of this Loan Agreement are determined to be unenforceable, in whole or in part, for any reason, the remaining provisions shall remain fully operative.

XI. NOT A CONSUMER LOAN

Borrower hereby represents, warrants and affirms that Borrower intends to use and will use the funds lent by the Lender pursuant to this Loan Agreement only for investment purposes. No proceeds of the Loan will in any way be used for personal, family, or household purposes. Borrower further represents that, to the extent it may be later alleged that the Loan is a consumer credit transaction and/or that certain consumer disclosures and protections should have been given to Borrower, Borrower waives and relinquishes any right to such disclosures and protections.

XII. MISCELLANEOUS

All payments of principal and interest on this Loan Agreement shall be paid in the legal currency of the United States. The Borrower waives presentment for payment, protest, and notice of protest and demand of this Loan Agreement.

No delay in enforcing any right of the Lender under this Loan Agreement, or assignment by Lender of this Loan Agreement, or failure to accelerate the debt evidenced hereby by reason of default in the payment of a monthly installment or the acceptance of a past-due installment shall be construed as a waiver of the right of Lender to thereafter insist upon strict compliance with the terms of this Loan Agreement without notice being given to Borrower. All rights of the Lender under this Loan Agreement are cumulative and may be exercised concurrently or consecutively at the Lender's option.

Choice of Venue: If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Waiver Jury: To the extent permitted by applicable law, all parties to this Agreement waive the right to any jury trial in any action, proceeding, or counter claim brought by any party against the other party.

This Loan Agreement may not be amended without the written approval of the Lender.

XIII. BORROWER REPRESENTATION AND WARRANTY

The Borrower hereby represents and warrants that it maintains good standing within the jurisdiction in which it is duly incorporated or formed. The Loan in question has received due approval from its shareholders, members, board of directors, or management as required by its corporate governance structure. Pertinent corporate approval documentation shall be submitted for review prior to the conclusion of the escrow process for this Loan.

XIV. GOVERNING LAW

This Loan Agreement shall be construed in accordance with the laws of the State of California.

XV. DISCLOSURES AND BROKER INVOLVEMENT

- A. The Disclosure and Waiver of the parties is fully set forth in the attached Exhibit C, the terms of which are fully incorporated herein and made a part hereto.
- B. The Disclosure of Broker Involvement and Broker's Fee is fully set forth in the attached Exhibit D, the terms of which are fully incorporated herein and made a part hereto.

XVI. SIGNATURES

This Loan Agreement shall be signed by Mr. Desheng Wang, CEO and Mr. Irving Kau CFO of Focus Universal Inc., a Nevada Corporation, on behalf of Borrower, and Betty Qi on behalf of Lender.

Borrower represents that the person signing this Loan Agreement has full authority to sign this Loan Agreement.

Signed this 01 day of Sept, 2023, at Industry

Borrower: Focus Universal Inc., a Nevada Corporation

By: /s/ Desheng Wang (Signature)

By: DESHENG WANG (Print Name)

Its: _____

By: /s/ Irving Kau (Signature)

By: IRVING KAU (Print Name)

Its: _____

Signed this _____ day of _____, _____, at _____

Lender: Golden Sunrise Investment LLC, a California limited liability company

By: /s/ Betty Qi (Signature)

By: Betty Qi (Print Name)

Its: Manager Member 08/24/2023

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Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Desheng Wang, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q.
- 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) I am 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 the 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.
- (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) **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 controls over financial reporting.

Date: November 17, 2023 May 15, 2024

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Irving H. Kau, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q.
- 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) I am 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 the 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.
- (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) 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 controls over financial reporting.

Date: November 17, 2023 May 15, 2024

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Focus Universal Inc. (the "Company") on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the "Report"), I, Desheng Wang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 17, 2023** May 15, 2024

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Focus Universal Inc. (the "Company" Company") on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the "Report" "Report"), I, Irving H. Kau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and**
- (2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations of the Company.**

Date: **November 17, 2023** May 15, 2024

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer

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