

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 June 30, 2016

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

Commission File No. 333-193087

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)

829 Lawson Street
City of Industry, CA
(Address of principal executive offices)

91748
(zip code)

(626) 272-3883
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files. Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 August 15, 2016 registrant had outstanding 34,574,706 shares 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. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS**

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**FOCUS UNIVERSAL INC.
CONSOLIDATED BALANCE SHEETS**

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 483,550	\$ 832,013
Accounts receivable	75,847	106,889
Inventories	41,233	51,574
Prepaid expenses	4,813	14,961
Due from related party	3,155	–
Total Current Assets	<u>608,598</u>	<u>1,005,437</u>
Property and equipment, net	4,313	1,408
Other Assets:		
Deposits	<u>24,726</u>	<u>24,726</u>
Total Assets	<u>\$ 637,637</u>	<u>\$ 1,031,571</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 267,243	\$ 275,925
Customer deposit	47,598	140,029
Loan from related party	–	63,369
Loan from stockholder	–	19,533
Income taxes payable	–	800
Total Current Liabilities	<u>314,841</u>	<u>499,656</u>
Noncurrent Liabilities:		
Deferred rent	<u>1,171</u>	<u>911</u>
Total Liabilities	<u>316,012</u>	<u>500,567</u>
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, par value \$0.001 per share, 75,000,000 shares authorized; 34,574,706 shares issued and outstanding as of June 30, 2016 (unaudited) and December 31, 2015	34,575	34,575
Additional paid-in capital	713,239	713,239
Accumulated deficit	(426,189)	(216,810)
Total stockholders' equity	<u>321,625</u>	<u>531,004</u>
Total Liabilities and Stockholders' Equity:	<u>\$ 637,637</u>	<u>\$ 1,031,571</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements

FOCUS UNIVERSAL INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue	\$ 86,603	\$ 2,008	\$ 170,990	\$ 2,008
Cost of Revenue	<u>11,689</u>	<u>2,025</u>	<u>17,419</u>	<u>3,725</u>
Gross Profit (Loss)	74,914	(17)	153,571	(1,717)
Operation Expenses:				
Compensation - officers	30,000	-	60,000	-
General and administrative	71,047	21,639	149,549	27,725
Professional fees	23,059	13,048	71,042	40,833
Research and development	46,452	-	82,982	-
Total Operating Expenses	<u>170,558</u>	<u>34,687</u>	<u>363,573</u>	<u>68,558</u>
Loss from Operations	(95,644)	(34,704)	(210,002)	(70,275)
Other Income (Expense):				
Interest income (expense), net	79	-	(317)	-
Other income	1,990	10,000	1,990	10,000
Other expense	-	(1,473)	(250)	(1,473)
Total Other Expense	<u>2,069</u>	<u>8,527</u>	<u>1,423</u>	<u>8,527</u>
Loss before income taxes	(93,575)	(26,177)	(208,579)	(61,748)
Income tax provision	<u>-</u>	<u>-</u>	<u>800</u>	<u>-</u>
Net Loss	<u>\$ (93,575)</u>	<u>\$ (26,177)</u>	<u>\$ (209,379)</u>	<u>\$ (61,748)</u>
Not Loss Per Common Share:				
Basic and Diluted	<u>\$ (0.00)*</u>	<u>\$ (0.00)*</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weight Average Number of Common Shares Outstanding - Basic and Diluted	<u>34,574,706</u>	<u>6,580,000</u>	<u>34,574,706</u>	<u>6,580,000</u>

* Denotes a loss of less than \$(0.01) per share

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash Flows from Operating Activities:		
Net Loss	\$ (209,379)	\$ (61,748)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	392	68
Changes in Operating Assets and Liabilities:		
Accounts receivable	31,042	(2,008)
Inventories	10,341	-
Prepaid expenses	10,148	4,321
Deposits	-	(24,726)
Accounts payable and accrued liabilities	(8,682)	11,222
Accrued interest payable - related party	-	1,952
Customer deposit	(92,431)	-
Income taxes payable	(800)	-
Deferred rent	260	228
Net Cash Used in Operating Activities	(259,109)	(70,691)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(3,297)	(1,640)
Advances to related party	(3,155)	-
Net Cash Used in Investing Activities	(6,452)	(1,640)
Cash Flows from Financing Activities:		
Proceeds from related party borrowing	-	963,723
Proceeds paid on loan from related parties	(63,369)	-
Proceeds from shareholders loan	-	100,000
Proceeds paid on loan from shareholders	(19,533)	-
Net Cash (Used in) Provided by Financing Activities	(82,902)	1,063,723
Net Change in Cash and Cash Equivalents	(348,463)	991,392
Cash and cash equivalents - Beginning of Period	832,013	136
Cash and cash equivalents - End of Period	\$ 483,550	\$ 991,528
Supplemental Disclosures for Statement of Cash Flows:		
Interest paid	\$ 501	\$ -
Income tax paid	\$ 800	\$ -

See Accompanying Notes to Unaudited Consolidated Financial Statements

FOCUS UNIVERSAL INC. AND SUBSIDIARY
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Operations

Focus Universal Inc. (the “Company”) was incorporated under the laws of the State of Nevada on December 4, 2012 (“Inception”). Focus Universal Inc. offers a full range of web services, including web marketing services, social and viral marketing campaigns, search engine optimization consulting, custom web design, website usability consulting and web analytics implementation.

Change in Control

On December 29, 2014, Xu Tang and Desheng Wang, two non-affiliate persons, acquired 5,970,000 shares of the Company’s Common Stock from the Company’s shareholders. This represents over 90% of the Company’s outstanding common stock and therefore represents a change in control of the Company’s ownership.

Effective immediately on December 29, 2014, Ms. Popova resigned as Chief Executive Officer and President of the Company and Ms. Ignatenko resigned as Treasurer, Secretary, Chief Financial Officer, principal accounting officer, and principal financial officer of the Company. Upon such resignations, Desheng Wang was appointed as the Chief Executive Officer and Secretary of the Company, Xu Tang was appointed as the President of the Company, Yan Chen was appointed as the Senior Vice President, and Messrs. Wang, Tang, and Chen accepted such appointments.

On October 21, 2015, Xu Tang entered into a stock purchase agreement whereby he collectively sold 3,260,000 shares of the Company’s Common Stock to eight persons using private funds to purchase the shares. This represents 49.5% of the Company’s outstanding common stock and represents a material change in control of the Company’s ownership. Buyers include Shuqin Xu (who now owns 19.7% of the Company), Tianzeng Xu and Youjuan Xion (who now each own 7.5% of the Company) and five other unrelated persons. To the Company’s knowledge, there are no arrangements or understandings among members of both the former and new control groups and their associates with respect to election of directors or other matters.

Effective October 21, 2015, Xu Tang and Yan Chen resigned from their positions as President and Senior Vice President, respectively, of the Company. There are no disagreements between the Company and Messrs. Tang and Chen. Dr. Edward Lee has been appointed to serve as President of the Company.

Also effective October 21, 2015, Dr. Jennifer Gu and Dr. Edward Lee were appointed as directors of the Company, and Dr. Gu and Dr. Lee accepted such appointments. Thereupon, each of Xu Tang and Yan Chen resigned as directors of the Company. Accordingly, the entire Board of Directors consists of Dr. Desheng Wang, Dr. Jennifer Gu, and Dr. Edward Lee.

On December 31, 2015, we filed Articles of Merger with the State of Nevada and filed a Certificate of Merger with the State of California which were the result of an agreement entered into on December 30, 2015, with a related party, Perfecular Inc., (“Perfecular”) a California corporation and FCUV Acquisition Corp., a Nevada corporation and a wholly-owned subsidiary of the Company, pursuant to which we agreed to acquire all of the issued and outstanding of 587,712 shares of Perfecular’s common stock in exchange for the issuance of 27,994,706 shares of the Company’s common stock to the shareholders of Perfecular Inc. in an exchange ratio of 47.6333 to one. This represents approximately 80% of the outstanding shares of the Company and represents a material change in control of the Company’s ownership.

Perfecular Inc. was founded in September 2009 and is headquartered in City of Industry, California, and is engaged in designing certain digital sensor products and sells a broad selection of horticultural sensors and filters in North America and Europe.

Change in fiscal year

On December 11, 2015, the Board of Directors of the Company approved a change in the fiscal year end from a fiscal year end on March 31 to a calendar year end on December 31 effective immediately.

The Company made the fiscal year change on a prospective basis and did not adjust operating results for prior periods. The change to the Company’s fiscal year did not impact the Company’s calendar year results for the year ended December 31, 2015. While the change has had some impact on the prior year comparability of each of the fiscal quarters and annual periods in fiscal years prior to calendar year 2016, the Company believes this impact is minimal.

Note 1 – Organization and Operations (continued)

Change in fiscal year (continued)

The Company made the fiscal year change on a prospective basis and did not adjust operating results for prior periods. The change to the Company's fiscal year did not impact the Company's calendar year results for the year ended December 31, 2015. While the change has had some impact on the prior year comparability of each of the fiscal quarters and annual periods in fiscal years prior to calendar year 2016, the Company believes this impact is minimal.

The Company believes this change provides numerous benefits, including aligning its reporting periods to be more consistent with peer companies.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Focus Universal Inc. and its wholly-owned subsidiary, Perfecular Inc. All intercompany balances and transactions have been eliminated upon consolidation. The Company's 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 one operating segment. In accordance with ASC No. 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 that evaluated regularly by the Management in deciding how to allocate resources and in assessing performance. The Management reviews financial information presented on a consolidated basis for purposes of allocation resources and evaluating financial performance. Accordingly, the Company has determined that it has a single operating and reportable segment.

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission ("SEC") to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The unaudited interim consolidated financial statements furnished reflect all adjustments (consisting of normal recurring accruals), which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Unaudited interim results are not necessarily indicative of the results for the full fiscal year. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2015 and notes thereto contained in the information as part of the Company's Transition Report on the Form 10-KT, which was filed with the Securities and Exchange Commission on March 29, 2016 and amended on June 23, 2016.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit.

Concentrations of Credit 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“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 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 which 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 observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

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. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amount of the Company’s financial assets and liabilities, such as cash and cash equivalent, prepaid expenses, accounts payable and accrued expenses, 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.

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

Inventories

Inventories consist primarily of electronic components, and are valued at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Estimated useful lives range from three to seven years on all categories of depreciable assets. 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

The Company derives its revenues from sales contracts with its customer with revenues being generated upon rendering of services. Persuasive evidence of an arrangement is demonstrated via invoice; service is considered provided when the service is delivered to the customers; and the sales price to the customer is fixed upon acceptance of the purchase order and there is no separate sales rebate, discount, or volume incentive.

Perfecular reports net revenue for its sales to third parties in accordance to the Financial Accounting Standard Board Accounting Standards Codification 605-45, because its primary business functions are marketing and sales of Tianjin Guanglee's, (a related party) products. Perfecular does not carry any inventory. While Tianjin Guanglee determines the product specifications and the sales prices, and bears physical loss risks during shipping. Perfecular collects full amount of accounts receivable from customers through direct wire transfers or letters of credit and remits payments to Tianjin Guanglee for the intercompany invoices with amounts net of the sales commissions. Commission revenue is recognized when the sales booked by Perfecular is recognized.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a 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. There was no allowance for doubtful accounts at June 30, 2016 and December 31, 2015.

Advertising costs

Advertising costs are expensed as incurred. The Company recorded no advertising costs for the six month periods ended June 30, 2016 and 2015.

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 subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions. Pursuant to Section 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 Section 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Related Parties (continued)

The 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 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 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 subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the 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 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.

Stock Based Compensation

The Company accounts for employee and non-employee stock awards under ASC 718, whereby equity instruments issued to employees for services are recorded based on the fair value of the instrument issued and those issued to non-employees are recorded based on the fair value of the consideration received or the fair value of the equity instrument, whichever is more reliably measurable.

No stock based compensation was issued or outstanding as of June 30, 2016 and December 31, 2015.

Income Tax Provision

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 June 30, 2016 and December 31, 2015.

As of June 30, 2016 and December 31, 2015, the Company did not identify any material uncertain tax positions

Note 2 - Summary of Significant Accounting Policies (continued)

Net Income (Loss) Per Common Share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

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

There were no potentially dilutive debt or equity instruments issued and outstanding at any time during the six month periods ended June 30, 2016 and 2015.

Cash Flows Reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method ("Indirect method") as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2016-02 – Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the effect, if any, on its consolidated financial statements.

There were other updates recently issued. The Company does not believe that other than disclosed above, the recently issued, but not yet adopted, accounting pronouncements will have a material impact on its financial position, results of operations or cash flows.

Use of estimates

In preparing the consolidated financial statements, management makes assumptions, estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of net sales and expenses during the reported periods. Management's estimates are based on historical experience and on our expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

Note 3 – Property and Equipment

At June 30, 2016 and December 31, 2015, property and equipment consisted of the following:

	June 30, 2016	December 31, 2015
Furniture and fixture	\$ 3,908	\$ 1,640
Computer equipment	1,029	–
Total	4,937	1,640
Less accumulated depreciation	(624)	(232)
Property and equipment, net	<u>\$ 4,313</u>	<u>\$ 1,408</u>

Depreciation expense for the six months period ended June 30, 2016 and 2015 amounted to \$392 and \$0, respectively

Note 4 – Related Party Transactions

Salaries paid to the President, Chief Executive Officer, Secretary and Treasurer and Chief Financial Officer

The Company paid \$60,000 and \$0 to its President and Chief Executive Officer for the six months ended June 30, 2016 and 2015, respectively.

Loan from stockholders

From time to time, Perfecular has borrowed short-term loans from shareholders. At December 31, 2015, Perfecular had short-term loans payable totaling approximately \$19,533. These loans were due upon the demand of the lender and were unsecured with annual interest rate of 0.55%. In February 2016, the entire balance of these loans were paid off with accrued interest.

Loan from related party

From time to time, Perfecular borrows from a related party entity, Vitashower Corp., which is under common ownership and management. At December 31, 2015, the outstanding loan and accrued interest payable to Vitashower totaled \$63,369. This loan bore an annual interest rate of 5 percent. This loan was paid off in February 2016.

Advances to related party

Perfecular grants advances to Vitashower Corp., from time to time, and the advances are non-interest bearing. Total advances amounted to \$3,155 and \$0 as of June 30, 2016 and December 2015, respectively.

Note 5 – Business Concentration and Risks

Major customers

One customer accounted for 100% of the total accounts receivable at June 30, 2016.

Major vendors

One vendor accounted for 97% of total accounts payable at June 30, 2016.

Note 6 – Commitments and Contingencies

On March 31, 2015, Focus entered into a two-year industrial/commercial multi-tenant lease with P.G.A. Lawson Limited Partnership, whereby we leased a 9,745 square foot warehouse with a 2,415 square foot office space inside. The lease commenced on April 20, 2015 and ends on April 30, 2017. We paid \$7,699 per month until May 1, 2016 when the rent increased by 3%. We currently pay \$7,930 per month. The warehouse is located at 829 Lawson Street in the City of Industry, California. Rent expense under this lease will be recognized over the life of the lease term on a straight line basis. Straight-line monthly rent expense over the life of the lease will be \$7,812. During six months ended June 30, 2016, the variance between the straight line rent expense and the rent paid/abated was recorded as deferred rent at June 30, 2016.

Focus sub-leases a portion of the property to Pefecular. The lease is a non-cancelable operating lease with monthly rent of \$5,000. The lease commenced on May 1, 2015 and expires on April 30, 2017. The sublease income for the six months ended June 30, 2016 amounted to \$30,000. Rental income and expense are eliminated on the accompanying consolidated financial statements.

In July 2016, Focus sub-leased a portion of the property to a third party. The lease is non-cancelable operating lease with monthly rent of \$4,400. The lease commenced on July 7, 2016 and expires on January 7, 2017. See Note 7.

Total rent expense was \$47,225 and \$18,194 for the six months ended June 30, 2016 and 2015, respectively.

Future minimum lease commitments are as follows:

	Rent Expense	Sublease Income	Net Rent Expense
June 30, 2017	\$ 79,300	\$ (26,400)	\$ 52,900
Thereafter	–	–	–

On December 29, 2014 Focus entered into a consulting agreement with Morepro Marketing, Inc., which was submitted to the Commission on January 5, 2015. Under the terms of this agreement, we agree to pay Morepro Marketing, Inc. a minimum of \$625 per month, plus reimbursement of any expenses incurred by Morepro Marketing, Inc. There is a ninety-day minimum timeframe for each new client to cancel, after which either party can terminate after thirty days' notice. This service was canceled on April 30, 2016.

Note 7 – Subsequent Events

In July 2016, Focus sub-leased a portion of the property to a third party. The lease is non-cancelable operating lease with monthly rent of \$4,400. The lease commenced on July 7, 2016 and expires on January 7, 2017.

The Company has evaluated all events that occurred after the consolidated balance sheet date through the date when the consolidated financial statements were issued to determine if they must be reported. The Management of the Company determined that other than as disclosed above, there were no reportable subsequent events to be disclosed.

Note 8 – Financial Information of Focus

The following table sets forth financial information of Focus Universal only as of June 30, 2016 and December 31, 2015, and for three and six months ended June 30, 2016 and 2015.

FOCUS UNIVERSAL INC.**BALANCE SHEET**

	<u>June 30, 2016</u> <u>(Unaudited)</u>	<u>December 31, 2015</u> <u>(Audited)</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 18,419	\$ 5,681
Prepaid expenses	4,283	14,961
Total Current Assets	<u>22,702</u>	<u>20,642</u>
Property and equipment, net	1,244	1,408
Other Assets:		
Investment in Perfecular Inc.	548,047	669,433
Deposits	<u>24,726</u>	<u>24,726</u>
Total Assets	<u>\$ 596,719</u>	<u>716,209</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 6,174	5,745
Due to Perfecular Inc.	267,749	177,749
Income taxes payable	–	800
Total Current Liabilities	<u>273,923</u>	<u>184,294</u>
Noncurrent Liabilities:		
Deferred rent	<u>1,171</u>	<u>911</u>
Total Liabilities	<u>275,094</u>	<u>185,205</u>
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, par value \$0.001 per share 75,000,000 shares authorized; 34,574,706 and shares issued and outstanding as of June 30, 2016 and December 31, 2015	34,575	34,575
Additional paid-in capital	713,239	713,239
Accumulated deficit	<u>(426,189)</u>	<u>(216,810)</u>
Total stockholders' equity	<u>321,625</u>	<u>531,004</u>
Total Liabilities and Stockholders' Equity	<u>\$ 596,719</u>	<u>\$ 716,209</u>

FOCUS UNIVERSAL INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue	\$ —	\$ 2,008	\$ 1,780	\$ 2,008
Cost of Revenue	—	2,025	2,025	3,725
Gross Loss	—	(17)	(245)	(1,717)
Operation Expenses:				
General and administrative	16,590	21,639	33,668	27,725
Professional fees	18,764	13,048	53,830	40,833
Total Operating Expenses	35,354	34,687	87,498	68,558
Loss from Operations	(35,354)	(34,704)	(87,743)	(70,275)
Other Income (Expense):				
Loss from investment in Perfecular Inc.	(58,221)	—	(121,386)	—
Other income	—	10,000	—	10,000
Interest expense	—	(1,473)	—	(1,473)
Other expense	—	—	(250)	—
Total Other Income (Expense)	(58,221)	8,527	(123,636)	8,527
Loss before income taxes	(93,575)	(26,177)	(209,379)	(61,748)
Income tax provision	—	—	—	—
Net Loss	<u>\$ (93,575)</u>	<u>\$ (26,177)</u>	<u>\$ (209,379)</u>	<u>\$ (61,748)</u>

Note 9 – Pro Forma Consolidated Statements of Operations

The basis of the following unaudited pro forma consolidated statements of operations of the Company is as if the acquisition of Perfecular by Focus had occurred on January 1, 2015. The pro forma consolidated statements of operations were derived from Focus and Perfecular's the statements of operations for the three and six months ended June 30, 2015.

The pro forma consolidated statements of operations do not necessarily reflect what the consolidated company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the consolidated company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

FOCUS UNIVERSAL INC.

PRO FORMA CONSOLIDATING STATEMENTS OF OPERATIONS

FOR THREE MONTHS ENDED JUNE 30, 2015

	FOCUS UNIVERSAL INC. <u>HISTORICAL</u>	PERFECLAR INC. <u>HISTORICAL</u>	PRO FORMA ADJUSTMENTS	<u>TOTALS</u>
Revenue	\$ 2,008	\$ 112,261	\$ –	\$ 114,269
Cost of Revenue	<u>2,025</u>	<u>10,944</u>	<u>–</u>	<u>12,969</u>
Gross Profit (Loss)	<u>(17)</u>	<u>101,317</u>	<u>–</u>	<u>101,300</u>
Operation Expenses:				
Compensation - officers	–	–	30,000	30,000
General and administrative	21,639	42,252	(10,000)	53,891
Professional fees	13,048	11,800	–	24,848
Research and development	–	76,375	(30,000)	46,375
Total Operating Expenses	<u>34,687</u>	<u>130,427</u>	<u>(10,000)</u>	<u>155,114</u>
Loss from Operations	(34,704)	(29,110)	10,000	(53,814)
Other Income (Expense):				
Interest expense, net	(1,473)	(3,598)	–	(5,071)
Other income	10,000	–	(10,000)	–
Total Other (Expense) Income	<u>8,527</u>	<u>(3,598)</u>	<u>(10,000)</u>	<u>(5,071)</u>
Loss before income taxes	(26,177)	(32,708)	–	(58,885)
Income tax provision	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net Loss	<u>\$ (26,177)</u>	<u>\$ (32,708)</u>	<u>\$ –</u>	<u>\$ (58,885)</u>

FOCUS UNIVERSAL INC.
PRO FORMA CONSOLIDATING STATEMENTS OF OPERATIONS
FOR SIX MONTHS ENDED JUNE 30, 2015

	FOCUS UNIVERSAL INC. HISTORICAL	PERFECULAR INC. HISTORICAL	PRO FORMA ADJUSTMENTS	TOTALS
Revenue	\$ 2,008	157,991	–	159,999
Cost of Revenue	<u>3,725</u>	<u>26,831</u>	–	<u>30,556</u>
Gross Profit (Loss)	<u>(1,717)</u>	<u>131,160</u>	–	<u>129,443</u>
Operation Expenses:				
Compensation - officers	–	–	45,250	45,250
General and administrative	27,725	85,062	(10,000)	102,787
Professional fees	40,833	12,555	–	53,388
Research and development	–	233,850	(45,250)	188,600
Total Operating Expenses	<u>68,558</u>	<u>331,467</u>	<u>(10,000)</u>	<u>390,025</u>
Loss from Operations	(70,275)	(200,307)	10,000	(260,582)
Other Income (Expense):				
Interest expense, net	(1,473)	(8,579)	–	(10,052)
Other income	10,000	–	(10,000)	–
Total Other (Expense) Income	<u>8,527</u>	<u>(8,579)</u>	<u>(10,000)</u>	<u>(10,052)</u>
Loss before income taxes	(61,748)	(208,886)	–	(270,634)
Income tax provision	–	–	–	–
Net Loss	<u>\$ (61,748)</u>	<u>(208,886)</u>	<u>–</u>	<u>(270,634)</u>

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. 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 Report on Form 10-K, 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") currently conducts business as a handheld sensor systems and filters wholesaler to distribution platforms. We are working on developing a universal sensor node and gateway system that use the data processing capabilities of a smartphone to display readings of multiple probe modules. We are also researching the development of an anti-counterfeit authentication technology that we believe could address the problem of counterfeit production by attempting to authenticate consumer goods.

Through a merger with Perpecular Inc., we strategically expanded our business to the manufacture and marketing of high-tech electronic hand-held measurement and control digital sensor devices. We do not believe that Internet marketing is sufficient to generate sales of our products, particularly the Ubiquitor product. In order to get the Ubiquitor into major distribution channels, we are going to focus on traditional business to business marketing, particularly marketing directly to established consumer distributions retailers. For this reason, during the first quarter of this year we decided to emphasize our sales of handheld sensors and air filters and discontinue our marketing and advertising business segment. Through the development and creation of our Ubiquitor device, we anticipate that sales and marketing involved with bringing this product to market will require us to hire a number of new employees in order to gain traction in the market as well as continue to expand such sales of our existing sensor and air filter products.

Our Current Products Include:

Scientific Instrument Research and Development

Engineers and scientists use instrumentation to observe, understand, and manage real-world data and phenomena, events, and processes related to their industries or areas of expertise. Instrumentation systems that we are researching and developing measure and control electrical signals, such as voltage, current and power, as well as temperature, pressure, speed, flow, volume, torque, light sensing, and vibration for example. Common general-purpose instruments in our market segment include, for example, voltmeters, signal generators, oscilloscopes, data loggers, spectrum analyzers, cameras, and temperature and pressure monitors and controllers. Systems that perform measurement and control can be generally categorized as test, measurement, and embedded systems.

A New Approach to Measurement and Control Sensing

We offer a different approach than what is currently on the market because we are attempting to establish a demand for devices that link handheld devices and sensors with common smartphone computing power through an application on the smartphone in both IOS and Android devices. Tapping into the computing power of a smartphone enables a measurement device to increase its capabilities.

We also currently offer an array of traditional handheld measurement and control meters through our wholesale distribution platform.

Filter and Handheld Meter Wholesaler

We are currently a wholesaler of various filtration products and digital meters. We source our products from manufacturers in China and then sell to a major U.S. distributor who resells our products directly to consumers through retail distribution channels.

Specifically, we sell the following products:

Fan Speed Adjuster device. We provide a fan speed adjuster device to retailers and distributors. 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 also sell two types of carbon filter devices to distributors. These Carbon filter devices are professional grade filters specifically designed and used to filter 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 and 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 an organic air high efficiency particulate arrestance (“HEPA”) filtration device at wholesale prices to distributors and retailers. 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. The meter we sell is designed to be full cosine corrected for the angular incidence of light (meaning if you are not holding the sensor perpendicular to the light source, the sensor will still read the light correctly). The meter has a built-in low battery indicator and is designed to accurately measure to 40,000 FC.

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 umol.

Ubiquitor Wireless Universal Sensor Device

We have fully researched and developed a device we call the “Ubiquitor,” which is a handheld fully modular system with a universal sensor node and gateway system that uses a smartphone as the output display module that displays the readings of various probe modules. We have completed an initial production run of 1,000 devices and intend to develop this into full-scale production as soon as possible. The Ubiquitor is a wireless sensor device that combines measuring tools with smartphone technology to quickly deliver sensor node data on desktop and mobile phone screens. The Ubiquitor’s sensor analytics system will integrate event-monitoring, storage and analytics software in a cohesive package that we hope will provide a holistic view of sensor data it is reading.

After sending our circuit boards to China for soldering at an unaffiliated manufacturing facility, we assembled the initial production run at our facilities here in the City of Industry. This initial production run will allow us to show large distributors and consumers the capabilities of the Ubiquitor which we hope will generate demand.

The physical hardware consists of:

1. The sensor probes, 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 main hardware gateway, a small cell phone size device with integrated circuits.

This device is intended to connect up to 2.5 kilometers of sensor instruments, and integrate data using embedded software to display the data and all analytics onto a digital screen (desktop or mobile displays) using multiple types of wireless connections (i.e., Wi-Fi, Bluetooth, 3G and 4G). Most types of 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 is a general platform that collects data in real time, up to 100hz per second, and thus is intended to be adapted to many industry uses.

The Ubiquitor is a multipurpose wireless intelligent sensor device that will be intended to achieve universal compatibility. Currently, the Ubiquitor device could simultaneously accommodate more than 256 different types of sensor heads. Users could use their smartphones to simultaneously operate and monitor over 256 kinds of sensor readings. With Perficular's technology, users only need to obtain the sensor heads, facilitating ease and convenience of use. Using a smartphone, users can collect and analyze data in real time. We have not yet started research and development of a second generation Ubiquitor device, but once we demonstrate the market for this product intend to begin such research and development.

Intellectual Property Protection

After the merger, on January 20, 2016 we filed provisional patent application number 62/281,104 with attorney docket number PER1.PAU.01.0 and Confirmation No. 2212. This provisional patent application protects the Ubiquitor universal sensor device. We do not own, either legally or beneficially, any trademarks.

Competitors

There are several competitors we have identified in the wireless sensor node industry, including traditional instruments or devices manufacturers such as Hanna Instruments or Extech Instruments.

Hach developed and launched SC1000 Multi-parameter Universal Controller, a probe module for connecting up to 8 SC sensors and 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 or remote sensors. Many of Monnit's products are web-based wireless sensors usually are not portable because of the power consumption. Also, the sensors real-time updates are slow and we believe security of the web-based sensor data acquisition also may be a concern. In addition to purchasing the device, consumers usually have to pay monthly fee for using web-based services.

We are not trying to compete with traditional instruments or device manufacturers because we utilize our Ubiquitor universal smart device in conjunction with our generic instruments smartphone application, which we believe will be a completely different product category.

Market Potential

We believe that wireless universal smart technology will play a critical role for traditional instrument manufacturers, as it is too expensive and difficult to develop for medium or smaller companies. The cost factor is the first consideration when deciding whether a company wants to develop smart wireless technologies and implement them in their products or use them in their field testing. We also hope to play a role in academic laboratories, particularly with smaller academic laboratories who are sensitive to price.

Results of operations for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015.

Revenue, cost of sales and gross profit

Our consolidated gross revenue for the three and six months ended June 30, 2016, was \$86,603 and \$170,990, respectively, compared to \$2,008 for the respective three and six months ended June 30, 2015. Our cost of consolidated revenues for the three and six months ended June 30, 2016, was \$11,689 and \$17,419, respectively (June 30, 2015: \$2,025 and \$3,725, respectively) resulting in a gross profit of \$74,914 and \$153,571 for the respective three and six months ended June 30, 2016 (June 30, 2015 gross loss: \$(17) and \$(1,717), respectively).

For the three and six months ended June 30, 2015, we only generated revenue from search engine optimization consulting, internet campaign planning and social media consulting. For three and six months ended June 30, 2016, beside our digital marketing business, we also generated significant amount of revenue from sales of broad selection of garden equipment which was the primary business for Perficular and is now our primary business.

We hired an independent third party contractor performed the web development since the first quarter of 2015 and this service was terminated on April 30, 2016 because we discontinued offering digital marketing services.

The increase in revenue is primarily driven by the sales from Perfecular of \$86,603 and \$169,210 for three and six months ended June 30, 2016, respectively. Since the acquisition of Perfecular on December 30, 2015, our revenues have increased and we believe that such revenues could continue to increase as we continue to market and sell our products.

Prior to the merger with Perfecular, management was focused on pursuing growth strategies and opportunities and outsourced the performance of Internet marketing services to third parties rather than performing the Internet marketing services directly. This change in strategy cost more money and generated less immediate revenue. Post-merger, we have been able to distribute a full range of products held as inventory by a related party, Tianjin Guanglee, directly to a range of businesses who have established distribution channels directly with consumers.

Operating Costs and Expenses

The major components of our operating expenses for the three and six months ended June 30, 2016 and 2015 are outlined in the table below:

	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	Increase (Decrease) \$
Officer compensation	\$ 30,000	\$ –	\$ 30,000
General and administrative	71,047	21,639	49,408
Professional fees	23,059	13,048	10,011
Research and development	46,452	–	46,452
Total operating expenses	<u>\$ 170,558</u>	<u>\$ 34,687</u>	<u>\$ 135,871</u>

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015	Increase (Decrease) \$
Officer compensation	\$ 60,000	\$ –	\$ 60,000
General and administrative	149,549	27,725	121,824
Professional fees	71,042	40,833	30,209
Research and development	82,982	–	82,982
Total operating expenses	<u>\$ 363,573</u>	<u>\$ 68,558</u>	<u>\$ 295,015</u>

There was a substantial increase in our operating costs for the three and six months ended June 30, 2016, compared to the same period in the three and six months ended 2015 was primarily due to the acquisition of Perfecular in December 2015. Included in operating expenses was \$135,204 and \$276,075 of expense attributable to Perfecular for three and six months ended June 30, 2016, which was acquired in December 2015.

General and administrative expenses of \$149,549 incurred during the six months ended June 30, 2016 primarily consisted of filing fees of \$4,183 (June 30, 2015: \$1,715), transfer agent fees of \$3,902 (June 30, 2015: \$1,725), office expenses of \$18,706 (June 30, 2015: \$5,615), office rent of \$47,225 (June 30, 2015: \$18,194), office salaries of \$72,333 (June 30, 2015: \$0), Insurance of \$924 (June 30, 2015 \$0), advertising cost of \$ 1,041 (June 30, 2015 \$0) and bank charges of \$1,005 (June 30, 2015: \$476).

Professional fees increased from \$40,833 during the six months ended June 30, 2015 to \$71,042 during the six months ended June 30, 2016, an increase of \$30,209. The increase in professional fees is due to the change in fiscal year-end, implementation of post-merger business strategies as well as preparation of our financial reports.

Officer compensation of \$60,000 and research and development of \$82,982 during six months ended June 30, 2016 were expenses attributable to Perfecular. There were no such expenses during six months ended June 30, 2015.

Net Losses

During the six months ended June 30 2016 and 2015, we incurred net losses of \$209,380 and \$61,748 respectively, due to the factors discussed above.

Liquidity and Capital Resources

Working Capital

	June 30, 2016	December 31, 2015
Current Assets	\$ 608,598	\$ 1,005,437
Current Liabilities	\$ (314,842)	\$ (499,656)
Working Capital	\$ 293,756	\$ 505,781

Cash Flows

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

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Net cash used in operating activities	\$ (259,109)	\$ (70,691)
Net cash used in investing activities	(6,452)	(1,640)
Net cash (used in) provided by financing activities	(82,902)	1,063,723
Net change in cash and cash equivalents	<u>\$ (348,463)</u>	<u>\$ 991,392</u>

Due to the merger with Perfecular, Inc. we anticipate that for the next 12 months we will be generating cash from more diversified revenue streams as mentioned under Narrative Description of the Business. We believe that our cash generated from operations and cash on hand may not provide sufficient capital to fund our operations and meet our cash needs on a short term and long-term basis for the next twelve months. Consequently, we intend to finance our internal growth with cash on hand, cash provided from operations, borrowings, debt or equity offerings, or some combination thereof to expand our business so that we can meet our cash needs.

Cash Flows from Operating Activities

The net cash outflows from operating activities of \$259,109 for the six months ended June 30, 2016 was primarily the result of our net loss of \$209,379 and changes in our operating assets and liabilities. The net cash outflows from operating activities of \$70,691 for the six months ended June 30, 2015 was primarily the result of our net loss of \$61,748, and changes in our operating assets and liabilities.

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, collection of accounts receivable, and timing of billings and payments.

Cash Flows from Investing Activities

The net cash used in investing activities of \$6,452 and \$1,640 for the six months ended June 30, 2016 and 2015, respectively represents \$3,297 and \$1,640 of funds used to purchase property and equipment for the Company for the six months ended June 30, 2016 and 2015, respectively. In addition, the Company advanced \$3,155 of funds to a related party during six months ended June 30, 2016.

Cash Flows from Financing Activities

We repaid \$63,369 related to advances from a related party and \$19,533 to shareholders during the six months ended June 30, 2016.

During the six months ended June 30, 2015, the Company issued a revolving demand promissory note to Perfecular, Inc., in amount of \$1,000,000, which will be used as operating capital and to engage management consultants who will help us identify potential growth opportunities. As of June 30, 2015, we had received \$959,925 pursuant to this note.

During the six months ended June 30, 2015, we borrowed \$100,000 from a shareholder, which is under common ownership and management control, respectively for working capital.

Management expects to keep operating costs to a minimum until cash is available through financing or operating activities. Management plans to continue to seek, in addition to equity financing, other sources of financing (e.g. bank loan, line of credit, shareholder loan) on favorable terms; however, there are no assurances that any such financing can be obtained on favorable terms, if at all. If we are unable to generate profits sufficient to cover our operating costs or unable to obtain additional funds for our working capital needs, we may need to cease or curtail operations. Furthermore, there is no assurance the net proceeds from any successful financing arrangement will be sufficient to cover cash requirements during the initial stages of the Company's operations.

Recent Accounting Pronouncements

See Note 2 to the unaudited consolidated financial statements.

Off Balance Sheet Arrangements

As of June 30, 2016, 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, as of 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 with some deficiencies 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 and/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 deficiency constitutes a material weakness.

Changes in internal control over 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We were not subject to any legal proceedings during the three months ended June 30, 2016 and there are currently no 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 three months ended June 30, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No senior securities were issued and outstanding during the three-month periods ended June 30, 2016 or 2015.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our Company.

ITEM 5. OTHER INFORMATION

Our common stock has been quoted on the OTCQB and on the OTC Link since July 31, 2014 under the symbol "FCUV".

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:

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger by and among Focus Universal Inc., FCUV Acquisition Corp. and Perfecular Inc. filed with the SEC on January 5, 2016.
3.1	Articles of Incorporation. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
3.2	Bylaws. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
4.2	Subscription Agreement. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
10.1	Stock Purchase Agreement dated December 29, 2014. Incorporated by reference to the Company's 8-K filed with the SEC on January 5, 2015.
10.2	Unsecured Demand Promissory Note dated February 1, 2015 in the amount of \$20,000 filed with the SEC on July 28, 2015
10.3	Unsecured Demand Promissory Note dated February 25, 2015 in the amount of \$100,000 filed with the SEC on July 28, 2016
10.4	Master Revolving Note dated May 21, 2015 in the amount of \$1,000,000 filed with the SEC on July 28, 2015
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

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.

Date: August 15, 2016

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

Date: August 15, 2016

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

**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: August 15, 2016

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

**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: August 15, 2016

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

**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 or the Company.

Dated: August 15, 2016

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

**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 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 or the Company.

Dated: August 15, 2016

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