

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from _____ to _____

Commission file number 333-193087

FOCUS UNIVERSAL INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
Incorporation or organization)

46-3355876

(I.R.S. Employer Identification No.)

2311 East Locust Court, Ontario, CA

(Address of principal executive offices)

91761

(Zip Code)

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

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:

Title of each class
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

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

Large accelerated filer
Non-accelerated filer

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2023, the aggregate market value of shares held by non-affiliates of the registrant (based upon the closing price of such shares on the Nasdaq Global Market on June 30, 2023) was \$47,304,201.87. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company, or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 5% or greater stockholders are, in fact, affiliates of our company, or that there are not other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal stockholders is included in Part III, Item 12 of this Annual Report on Form 10-K.

The number of shares outstanding of the registrant's common stock, \$0.001 par value, outstanding as of April 1, 2024: 64,771,817.

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

	<u>Part I</u>	<u>Page No.</u>
Item 1.	<u>Business</u>	1
Item 1A.	<u>Risk Factors</u>	26
Item 1B.	<u>Unresolved Staff Comments</u>	41
Item 1C.	<u>Cybersecurity</u>	41
Item 2.	<u>Properties</u>	41
Item 3.	<u>Legal Proceedings</u>	42
Item 4.	<u>Mine Safety Disclosures</u>	42
	<u>Part II</u>	
Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	43
Item 6.	<u>[Reserved]</u>	44
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	44
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
Item 8.	<u>Financial Statements and Supplementary Data</u>	F-1
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	54
Item 9A.	<u>Controls and Procedures</u>	54
Item 9B.	<u>Other Information</u>	56
Item 9C.	<u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	56
	<u>Part III</u>	
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	57
Item 11.	<u>Executive Compensation</u>	62
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	65
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	65
Item 14.	<u>Principal Accounting Fees and Services</u>	66
	<u>Part IV</u>	
Item 15.	<u>Exhibits, Financial Statement Schedules</u>	67
Item 16.	<u>Form 10-K Summary</u>	67
	<u>Signatures</u>	68

FOCUS UNIVERSAL INC.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for our future operations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- the uncertainty of profitability based upon our history of losses;
- risks related to failure to obtain adequate financing on a timely basis and on acceptable terms;
- risks related to our international operations and currency exchange fluctuations; and
- other risks and uncertainties related to our business plan and business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on our forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. All references to "common stock" refer to the common shares in our capital stock.

As used in this annual report, the terms "we," "us," "our," the "Company" and "Focus Universal" mean Focus Universal Inc. unless otherwise indicated.

PART I

Item 1. BUSINESS

Company Background.

Focus Universal Inc. (the “Company,” “we,” “us,” or “our”) is a Nevada corporation. We are based in the city of Ontario, California, and were incorporated in Nevada in 2012. In December of 2013, we filed an S-1 registration statement that went effective on March 14, 2014. From March 14, 2014, through August 30, 2021, our securities traded on the OTCQB Market. From August 31, 2021, through January 27, 2022, our securities traded on the Nasdaq Capital Market. From January 28, 2022, to the present, our securities have traded on the Nasdaq Global Market.

Our company websites are www.focusuniversal.com, www.avxdesign.com, www.smart-avx.com, and www.attechsystems.com. Our website and the information contained therein or connected thereto are not intended to be incorporated into this report.

We have developed five proprietary platform technologies that we believe solve the most fundamental problems plaguing the internet of things (“IoT”) industry by: (1) increasing the overall degree of chip integration capabilities by shifting integration from the component level directly 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) developing a natural integrated programming language (“NIPL”) applied to software development, which generates a user interface through machine auto generation technology; and (5) developing a universal smart instrumentation platform (“USIP”).

Index of Key Technical Abbreviated Terms

Abbreviation	Full Term
5G	Fifth Generation Mobile Wireless Telecommunications Network
FSK	Gaussian Frequency Shift Keying
HANs	Home Area Networks
IC	Integrated Chip
IoT	Internet of Things
LTE Networks	Long-Term Evolution Networks
MOS Transistor	Metal-Oxide-Silicon Transistor
PLC	Power Line Communication
UNB	Ultra-narrowband
USIO	Universal Smart Instrumentation Operating System
USIP	Universal Smart Instrumentation Platform

1. Our goal is to increase the overall degree of chip integration capabilities by shifting integration from the component level directly to the device level.

We have developed an innovative and proprietary “device on a chip” (“DoC”) technology, which combines the required electronic circuits of various integrated circuit components onto a single, integrated chip (“IC”) and pushes beyond the limits of current integrated chips. Our DoC technology works as a single component but is capable of handling entire IoT device functions (excluding sensors and architecture-specific components). Our DoC technology includes both the hardware and software, uses less power compared to traditional IoT devices, with better performance, includes smaller overall devices, and offers greater reliability despite decreasing the number of interconnections between components. We believe that incorporating our DoC technology into our product offering, will simplify the manufacturing process, lowering our costs and allowing us to achieve a faster time-to-market, when compared to our competitors’ who only manufacture and sell multi-chip devices. Our planned DoC technology allows devices to achieve interoperability with one another and are interchangeable, both features where traditional IoT devices fall short.

Our research and development suggest that the existing IC integration in IoT devices is mainly focused on hardware-to-hardware integration, not incorporating software solutions. This lack of incorporating software under a common operating system, application software, and extra interface into ICs, limits IC integration to the component level. Software is a critical component in electronics, and the more tightly integrated the software, the better the power and performance. Software also adds an element of flexibility and allows multiple discrete ICs, which in the past were unable to be further integrated into a single IC.

Currently, ICs integration requires the development and manufacture of customized hardware and software. As a result, IC fabrication is too expensive to manufacture on a large scale. IC is ideally designed for products that are intended for mass production to keep manufacturing costs low by producing uniform products using repetitive and standardized processes. Product standardization has become a major bottleneck in device-level IC fabrication because most devices are custom-designed and manufactured.

The Universal Smart Instrumentation Platform (“USIP”) we developed is a standardized, universal hardware and software integration platform that provides a universal common foundation for what we anticipate will be used by thousands of IoT and standalone devices. The electronic design and production start from a 90% completed common foundation, our USIP, instead of the individual components that necessitate the current method of building each standalone instrument from scratch. USIP allows ICs to be integrated from the component level up to the device level, which pushes the frontier of semiconductor technology beyond Moore’s Law. Our USIP also eliminates redundant hardware and software and results in significant cost savings and production efficiency.

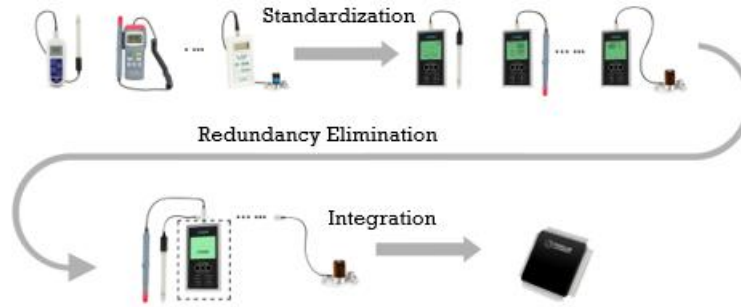


Figure 1. From USIP to device level integrated circuits (“IC”).

2. Creating a faster 5G cellular technology by using ultra-narrowband technology.

Fifth generation (“5G”) telecommunications networks will revolutionize the digital economy by enabling new applications that depend on ultra-fast communications on an industrial scale. 5G promises to deliver an improved end-user experience by offering new applications and services through gigabit speeds and significantly improved performance and reliability. 5G will build on the successes of 2G, 3G, and 4G mobile networks, which have transformed society, supporting new services and new business models. 5G provides an opportunity for wireless operators to move beyond providing connectivity services to developing rich solutions and services for consumers and industries across a wide range of sectors at an affordable cost. 5G is an opportunity to implement wired and wireless converged networks and offers opportunities to integrate network management systems. The United States and China are in a race to deploy 5G wireless networks, and the country that gets there first will lead in standard-setting, patents, and the global supply chain. A World Economic Forum report stated that by 2035 5G networks would contribute \$13.2 trillion in economic value globally and generate 22.3 million jobs in the 5G global value chain from direct network investments and residual services^[1]. 5G networks and their related applications are expected to add three million jobs and \$1.2 trillion to the economy in the U.S. ^[2]

[1] World Economic Forum, January 2020 “The Impact of 5G: Creating New Value across Industries and Society,” available at: http://www3.weforum.org/docs/WEF_The_Impact_of_5G_Report.pdf (last accessed March 6, 2023).

[2] <https://www.marketsandmarkets.com/Market-Reports/power-line-communication-plc-market-912.html> (last accessed on March 6, 2023).

Though 5G offers a significant increase in speed and bandwidth over previous generation telecommunication networks, its more limited range for high-speed internet will require further infrastructure investments. A 5G network requires spectrum across low, mid, and high spectrum bands to deliver widespread coverage and support a wide range of use cases^[3]. A low-band cell site can cover hundreds of square miles and deliver a downlink data rate in the range of 30-250 Mbps.^[4] Mid-band frequencies (2.5/3.5GHz) can also travel long distances but can carry a lot more data than low-band cell sites.^[5] Mid-band 5G base stations can transmit and receive high-capacity signals over fairly large areas. They can represent an ideal mix of performance—including some networks providing download speeds around 100-900 Mbps—for the bulk of 5G traffic in metropolitan areas.^[6] High-band 5G uses millimeter-wave (mmWave) frequency bands. Despite receiving plenty of publicity, high-band is a very specialized part of the 5G offering.^[7] Functioning over a shorter radius, it's particularly useful in urban areas and busy venues like stadiums and shopping malls.^[8] With the potential to offer data rates of up to 10 Gbps, high-band 5G is already being deployed in several major cities. Download speeds for carriers' high band 5G can sometimes clock in around 450 Mbps, with peak speeds of nearly 1 Gbps, and upload speeds near 50 Mbps.^[9]



High band, mmWave spectrum is used primarily for urban and dense urban markets. The characteristics of high band, mmWave spectrum is that it is very wide and provides a significant increase in capacity. Because of the greater spectrum width, speed is increased, and transmission latency is reduced. However, the drawback is that high-band spectrum does not propagate over a large coverage area. For example, a 28 GHz mmWave spectrum can only travel 500 feet.^[10]

Low-band frequencies can travel long distances and penetrate buildings but can only carry a limited amount of data. High-band frequencies can carry a substantial amount of data, but due to their shorter wavelength, they travel shorter distances and are more susceptible to buildings and trees blocking the signal.^[11]

[3] Horwitz, Jeremy (December 10, 2019). "The definitive guide to 5G low, mid, and high band speeds." VentureBeat online magazine (available at: <https://venturebeat.com/2019/12/10/the-definitive-guide-to-5g-low-mid-and-high-band-speeds/> (Last accessed March 7, 2023)).

[4] Id.

[5] Id.

[6] Id.

[7] See "5G Rollout—Beyond the Hype." Parsons Cyber Blog, June 16, 2020 ("As a result, 5G base stations must be positioned as close as a third of a mile, whereas 4G base stations can provide coverage of 20 to 45 miles. This limitation becomes especially acute in more rural and/or remote areas, wherein 5G networks become impractical") (available at: <https://www.parsons.com/2020/06/5g-rollout-beyond-the-hype/> (last accessed, March 7, 2023)).

[8] Id.

[9] <https://www.t-mobile.com/business/resources/articles/benefits-of-the-5g-spectrum-for-businesses> (last accessed March 7, 2023).

[10] <https://dgtlinfra.com/american-tower-5g-deployed-in-layers-different-spectrum-bands/> (last accessed March 7, 2023).

[11] <https://www.md7.com/perspectives/infrastructure-challenges-of-5g-frequency/> (last accessed March 7, 2023).

Unlike 4G LTE, which operates on established frequency bands below 6GHz, 5G requires frequencies up to 300GHz. Wireless carriers still need to bid for the costly higher spectrum bands, as they build and roll out their respective 5G networks. Adding the hardware required for 5G networks can significantly increase operating expenses. Building 5G networks is expensive. According to THALES, total global spending on 5G is set to reach \$620 billion by 2025.^[12]

A typical 5G base station consumes up to twice or more the power of a 4G base station. Energy costs can grow even more at higher frequencies due to a need for more antennas and a denser layer of small cells. Edge computing facilities needed to support local processing and new internet of things (IoT) services will also add to overall network power usage.

Our ultra-narrowband wireless communication 5G+ technology aims to achieve **both** low band 5G coverage and 1 Gbps high-band speed because we employ an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between the 5G base station and the receiver. The ultra-narrowband modulation was initially conceived in 1985 by Dr. Harold R. Walker as a method to be used with ‘frequency modulation (FM) Sub-Carriers’ (as opposed to “FM Supplementary Carriers” or “In Band On Channel” Carriers). In its original form, data rates as high as 196 kb/s were obtained from a subcarrier at 98 kHz, and bandwidth spectral efficiencies as high as 15 bits/sec/Hz were achieved. A pulse width modulation baseband encoding method called the “Slip Code” was used. That method, which was a baseband method, was limited in data rate and required excessive filtering, which precluded it from being a practical ultra-narrowband method.

Ultra-narrowband (“UNB”) technology employs an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between transmitter and receiver. UNB allows for long-range coverage, making it an optimal low-power wide-area network technique for industrial IoT systems. Additionally, its ultra-high power spectral density creates endurance against interference and jamming, which enables the friendly coexistence of UNB on shared frequency bands. The narrower the bandwidth, the fewer occurrences of noise and interference entering the bandwidth. In addition, UNB’s transmission of energy concentrates on ultra-narrowband width, resulting in a very high concentration of power in a very narrow frequency band.

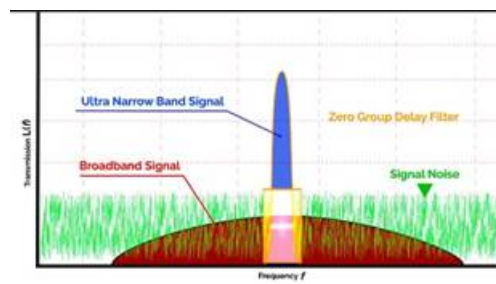


Figure 4. Comparison between Ultra-Narrowband and Broadband

Many traditional modulation approaches require allowance for upper and lower sidebands throughout the carrier frequency. UNB modulation is a modified approach for data transmission without sidebands. UNB is extremely robust in an environment with other signals, including spread spectrum signals. However, spread spectrum networks are affected by UNB signals.

[12] THALES, Dec 29, 2022, A 5G PROGRESS REPORT: LAUNCHES, SUBSCRIBERS, DEVICES & MORE, <https://www.thalesgroup.com/en/worldwide/digital-identity-and-security/magazine/5g-progress-report-launches-subscribers-devices>, (last accessed March 7, 2023)

UNB modulation utilizes a coded baseband with abrupt edges. Any bandpass filter used at the transmitter for ultra-narrowband modulation must exhibit zero group delay to pass the instantaneous phase changes. However, it may lack the bandwidth required to pass instantaneous changes in frequency. Conventional filters cannot be used with ultra-narrowband signals, which are dependent upon negative or zero group delay filters.

One important characteristic has restricted widespread adoption of ultra-narrowband modulation, and that is the zero group delay filters, which are complex and must be hand-tuned. Furthermore, zero group delay filters are responsible for restricting data rates to just 196 kb/s from a subcarrier at 98 kHz and bandwidth spectral efficiency to 15 bits/sec/Hz.

We developed an ultra-narrowband technology that offers a potential alternative and/or complementary solution to the broadband technology used in 5G networks and meets the challenging 5G demands. A comparison of our ultra-narrowband technology with 4G and 5G is illustrated in the table below:

Technology	Bandwidth	No. of subcarriers	Operating Frequency	Speed	Spectral
	MHz		GHz	Mbps	Bits/s/Hz
4G	20	1200	6	4-60	6
5G	100	3276	Up to 300	40-1100	10
UNB (finished)	0.001	1	0.004	4	~4000
UNB (in development)	0.001	1	0.064	64-256	>4000

As shown by the above table, our internal testing shows that our finished ultra-narrowband technology can achieve speeds of 4 Mbps per second at a bandwidth of less than 1000 Hz. The spectral efficiency of our finished technology has reached 4000 bits/sec/Hz. Development work of our ultra-narrowband technology is underway for speeds of 64 Mbps at a bandwidth of 64 MHz with spectral efficiency of over 4000 bits/sec/Hz.

UNB speeds will increase proportionally if it operates at the higher frequencies used by 4G or 5G networks or adopts multiple subcarriers, equivalent to increasing bandwidth. As a result, we believe that our ultra-narrowband technology can reach 5G speeds and has the potential for much higher speeds. Utilizing the same bandwidth, our internal results show that UNB can save energy of up to 20,000 times when compared to current 4G technology and 100,000 times when compared to current 5G technology. Keeping the same bandwidth and energy consumption, our internal testing results suggest the coverage provided by UNB can increase by two orders of magnitude. UNB breaks through the Shannon Law’s critical limit that current 5G cellular communication is reaching, overcomes the current 5G challenges, and allows cellular communication development beyond 5G.

Despite the excitement surrounding 5G networks, several challenges need to be address before global adoption of 5G technology can occur.

1) Spectrum availability.

5G networks operate on higher bandwidth frequencies reaching up to 300 GHz, which permit data rates capable of delivering ultra-fast speeds measuring as much as 20 times more than those provided by 4G LTE networks. However, the availability and cost of spectrum bands are still an issue for wireless operators. Wireless operators need to bid for these costly higher spectrum bands as they build and deploy their respective 5G networks. On February 24, 2021, the Federal Communications Commission announced the winning bids in Auction 107, the auction of 3.7 GHz service licenses. The winning bids for all 5,684 available licenses totaled over \$81 billion and were concentrated among just 21 bidders.^[13] Given that Focus Universal operates in the ultra-narrowband spectrum where very limited spectrum is required and public access spectrum is also available, this is potentially less of a concern than pursuing the traditional broadband capacity pathways F-24.

[13] Federal Communications Commissions (February 17, 2021), <https://www.fcc.gov/document/fcc-announces-winning-bidders-37-ghz-service-auction>, (last accessed March 7, 2023)

2) Coverage.

Despite 5G networks offering significantly increased speeds, their more limited range will require increased infrastructure investments. 5G requires three to four times the number of base stations to provide the same coverage area as 4G LTE because higher frequencies are more readily absorbed by solid objects than lower frequencies. For example, a signal at 700 MHz provides a coverage area three to four times that of a 2.6 GHz signal. Likewise, we expect UNB coverage to potentially increase coverage over standard 5G broadband pathways.

3) Cost.

Building a 5G network is expensive. To do so is not just building a layer on top of an existing 4G network; instead, it is laying the groundwork for something new altogether. The cost of a current 5G base station is approximately three times that of a 4G base station.^[14]

4) Energy consumption.

Two factors relate directly to the increased energy consumption of 5G networks. First, 5G's operating on higher frequency spectrums require greater energy input.^[15] For example, a typical 5G base station consumes up to twice the power consumed by a 4G base station. Second, to provide the same coverage area as a 4G network, a 5G network requires three to four times the number of base stations. Accordingly, the overall energy consumption of a typical 5G network will be at least six to eight times more than the energy consumption of a 4G network with equivalent coverage. Like the coverage applications, we also expect energy consumption to be potentially significantly less with UNB technologies over the conventional broadband pathways.

5G+

We are currently developing 5G+, which we believe is a promising alternative wireless technology that uses our innovative ultra-narrowband (UNB) wireless technology. UNB technology employs an ultra-narrow spectrum channel (<1 kHz) to establish an ultra-long-distance link between transmitter and receiver. Our internal testing suggests that a single 5G+ subcarrier wave has the potential to provide speeds of 64 to 256 Mbps. Moreover, multiple UNB subcarriers may be combined, which effectively increases bandwidth. Given anticipated data rates of 64 Mbps, we believe only 4 to 16 5G+ subcarrier waves would be needed to achieve the current 5G speeds, and just 40 to 160 5G+ subcarrier waves would be needed to achieve 6G speeds. By contrast, 5G technology requires 3,276 subcarrier waves to achieve its current speeds. Fewer subcarriers translate into cost savings because they are more compact and consume less energy. Our goal is to increase the speed of 5G networks while simultaneously reducing the number of subcarriers.

Our internal testing suggests that to achieve speeds of 1 Gbps, our 5G+ technology would only require bandwidths of 4 to 16 kHz, which is narrow enough to be operated in lower frequency spectrums. This would mean that 5G+ providers would not need to purchase the higher frequency spectrums required by 5G technology. Accordingly, a 5G+ provider would realize significant savings from not having to bid for costly higher spectrum band licenses. Operating in relatively lower frequency spectrum bands, when compared to 5G, also means that 5G+ would have a more extensive coverage area than that of 5G, in many cases three to ten times larger. It would also mean that we could reduce the number of subcarriers and reduce the overall costs of the 5G networks infrastructure.

Further, the design of 5G+ infrastructure means that cost savings could be realized as there is the potential of piggybacking the required 5G+ infrastructure on the current 4G infrastructure. Finally, 5G+ only consumes 1/25,000 to 1/6,250 of the energy consumed by 5G. As outlined above, 5G+ has the potential to overcome the challenges presented using higher broadband spectrums required for the implementation of the broadband technology used in 5G.

[14] "How much does it cost to build a 5G base station?" Phate Zhang, April 7, 2020, CNTechPost (available at: <https://cntechpost.com/2020/04/07/how-much-does-it-cost-to-build-a-5g-base-station/> (last accessed March 7, 2023)).

3. Leveraging ultra-narrowband power line communication (“PLC”) technology.

Our patented PLC is an innovative communication technology that enables sending data over existing power cables in the electric grid. Because PLC uses the existing power lines, it does not require substantial new investment for a dedicated wiring infrastructure. Existing power lines already form a distribution network that penetrates every residential, commercial, and industrial property. Given that the power grid is, for the most part, an established ubiquitous network, PLC is potentially the most cost-effective, scalable interconnectivity approach for the backbone communication infrastructure required for the IoT. PLC allows IoT devices to be plugged into power outlets to establish a connection using the existing electrical wiring, permitting data sharing without the substantial investment and inconvenience of running dedicated network cables.

Historically, the primary design goal of the power line network was electric power distribution. The power line network was not originally designed to function as a communication channel. Consequently, while PLC has been around for many years, the harsh electrical noise present on power lines and variations in equipment and standards make communications over the power grid difficult and present several challenges for data transfer. Signals propagating along the power line are subjected to substantial amounts of noise, attenuation, and distortion that make them erratic, with several attributes varying over time. PLC is susceptible to noise from devices linked to the power supply infrastructure, including, for example, fluorescent tube lights, drills, hair dryers, microwave ovens, computers, switch-mode power supply, cellphone chargers, dimmers, refrigerators, televisions, washing machines, and vacuum cleaners. The result is that previous attempts at implementing PLC technology resulted in power companies and internet service providers deciding that the technology is not a viable means of delivering data or broadband internet access. These technological challenges have impeded or even halted progress in PLC technology’s development.

We have successfully developed ultra-narrowband PLC technology that can transfer data through the power grid. According to our internal testing, our ultra-narrowband PLC technology can send and receive data without the customary interference that occurs in standard office and residential environments, achieving speeds of 4 Mbps at a bandwidth of less than 1000 Hz. To test noise interference and disturbance, we utilized six industrial blowers simultaneously when testing, and no significant interference was found. By comparison, a single hair dryer will render our competitors’ legacy PLC technology completely useless. We have completed the development of our 4Mbps PLC modules and the printed circuit board layout. These modules will be used for IoT systems involving over 1,000 sensors.

Our ultra-narrowband PLC technology is a considerably more effective way to transfer data than current in-home and commercial network systems, such as Zigbee and Z-Wave. While Zigbee and Z-Wave will need new infrastructure to be installed, our PLC technology could operate by itself or complement existing wideband communication tools like Wi-Fi, Zigbee, or Z-Wave. Penetrating physical barriers like walls within a single floor or reaching out to different floors in a single building is a challenge for the wireless technology that current IoT systems are using. Moreover, wireless networks often face performance issues due to radio-frequency interference caused by microwave ovens, cordless telephones, or even Bluetooth devices at home. However, our PLC technology can reach every node connected via the power lines. Our technology converts virtually every standard wall socket into an access point, in many ways incorporating the best of wired and wireless communication, making it a more consistent and reliable system for crucial and sensitive operations. Our ultra-narrowband PLC technology’s ability to reach long distances via power lines becomes especially useful in commercial networks that require the ability to avoid physical barriers like walls, underground structures, and hills, such as those networks used in industrial facilities, underground structures, golf course irrigation systems, and campuses. Moreover, our technology can be an integral part of any smart city, community, or campus.

4. Developing a natural integrated programming language (“NIPL”) applied to software development, which generates a user interface through machine auto generation technology.

We have developed a proprietary and patented “user interface machine auto generation platform” (“UIMAGP”) to replace the manual software designs that are currently used. This platform is used to build the IoT user interface. The natural integrated programming language we have developed is like the language humans use to communicate with each other, which makes it is easy for humans to learn, while still being understood by a machine. The UIMAGP simplifies the process of software programming by saving hundreds of lines of code into a micro code that can be saved to a sensor module. When that sensor module is plugged into a USIP, the user interface specification codes saved to the sensor module is sent to the platform and a universal display, such as a smartphone, a computer, or a display unit. The UIMAGP saved on the universal display automatically generates the user interface within milliseconds instead of requiring months or years of software development work. An embedded coding hardware engineer can design sensor module hardware and provide the user interface specification code. Thus, the hardware-defining software is achieved.

UIMAGP is similar to low code or no code programming because it reduces the amount of traditional hand-coding, enabling accelerated delivery of business applications. However, low code and no code programming suffer from integration restrictions, absence of customization, and security risks issues, making them unsuitable for large-scale and mission-critical enterprise applications such as IoT applications. UIMAGP has overcome these challenges while requiring only a minimum amount of coding. The UIMAGP and user interface specification codes work collectively to perform the function of traditional customized software, enabling UIMAGP to be shared by the estimated 20 billion IoT devices worldwide,^{[15][16]} a feat that current manual software designs could not achieve.

5. Developing a universal smart instrumentation platform (“USIP”)

Instrumentation is a vast industry that covers a variety of fields, including medical, healthcare, scientific, commercial, industrial, military, and daily life. Lack of instrumentation universality results in every instrument design starting from scratch. Moreover, each instrument can only carry out a determined measurement or control a specific operation. Integrating existing instruments that lack interoperability and compatibility into a platform can be difficult and expensive. This integration is impeded by the inability of instruments to easily communicate with devices and sensors for perception, mobility, and manipulation. As society enters the IoT era, it is not unreasonable to assume that millions of devices will need to be connected in one square kilometer. If each IoT device requires unique hardware and software developed from scratch, implementation in dense urban areas is simply not feasible. Wireless networks can be accessed by any device within the network’s signal range.

USIP is an advanced hardware and software integrated instrumentation platform with a large-scale modular design approach. USIP integrates many technologies, including cloud technology, wired and wireless communication technology, software programming, instrumentation technology, artificial intelligence, PLC, sensor networking, and IoT technology into a single platform. This results in circuit designs that we believe are vastly cheaper and faster than those constructed of discrete integrated circuit components designed from scratch.

USIP has primary functionalities and an open architecture capable of incorporating a variety of individual instruments, functions, sensors, and probes from different industries and vendors into a single unit. Instruments, sensors, or probes ranging from a few to several hundred or even thousands in any combination from various industries and vendors can share or reuse the same platform. Adding, removing, or changing instruments or sensors is all the platform requires to switch from one type of device to another without revising the software and redesigning the hardware.

Compared to traditional stand-alone instruments, USIP exploits the processing power of a computer or a mobile device. Productivity, display, and connectivity capabilities to provide a more powerful, flexible, and cost-effective measurement solution. Traditional hardware-centered instrumentation systems are made up of multiple stand-alone instruments interconnected to carry out a determined measurement or control an operation. They have fixed vendor-defined functionality, and the components that comprise the instruments are also fixed and permanently associated with each other. Different instruments provided by different vendors cannot be interoperated and interchanged. For example, we simply cannot use a traditional blood pressure meter to measure temperature or vice versa. USIP is designated to be compatible with all instruments, sensors, or probes on the market and capable of monitoring and controlling any combination of instruments or sensors. We believe our USIP will revolutionize the field of instrumentation, measurement, control, and automation.

[15] Environmental Health Trust, <https://ehtrust.org/science/reports-on-power-consumption-and-increasing-energy-use-of-wireless-systems-and-digital-ecosystem/>, (last accessed March 7, 2023)

[16] Gartner Insights “Leading the IoT,” available at: https://www.gartner.com/imagesrv/books/iot/iotEbook_digital.pdf (last accessed March 7, 2023).

USIP is a versatile platform, able to perform and combine different measurements and controls, to substitute some instruments for others, and to integrate existing instruments into it. The development of USIP is closely associated with the development and proliferation of computers and mobile devices that provide the foundation and technical support to the universal smart instrument such as an attractive graphical user touch screen interface, data processing and analysis capabilities, video and audio, cameras, GPS, ubiquitous wireless connectivity, artificial intelligence, cloud-based communications and a diverse number of functions and software available to users that are not contained in traditional instruments. These features embody the advantages of USIP, which are lacking stand-alone instrument systems. When compared with traditional instrument systems, USIP's biggest advantage is cost savings. Other distinctive features include universality, interoperability, flexibility, compatibility, upgradeability, expandability, scalability, security, modularity, fast prototyping, reducing inventory, plug-and-play operation, remote accessibility, simplification, standardization, and cloud instrumentation.

We have been dedicated to solving instrumentation interoperability for over a decade. We subdivide instruments into a reusable foundation component to the maximum extent possible, architecture-specific components, and sensor modules, which perform traditional instruments' functions at a fraction of their cost. For most instruments, 90% of the design, parts, and firmware are the same. These parts can be replaced by USIP.

USIP utilizes a computer or a mobile device as its display and control to communicate with a group of sensors, instruments, probes, or controllers manufactured by different vendors in a manner that requires the user to have little or no knowledge of their unique characteristics.

The portable version of USIP is illustrated below. When a blood pressure sensor is plugged into the universal device, the user interface specification code saved on the blood pressure sensor is sent to the universal device, and a computer or smartphone will then generate the user interface for the blood pressure device based on the interface specification code saved in the sensor.



Figure 5. A blood pressure sensor is connected to our universal device, which we call the Ubiquitor, and changes our device into a blood pressure measurement instrument.

Similarly, if we remove the blood pressure sensor and connect our universal device to both a pH sensor and a CO2 sensor, the universal device changes to a two-sensor device capable of measuring pH and CO2 concentration. Each sensor has its own user interface automatically generated based on the user interface specification code saved in each sensor.



Figure 6. A pH sensor and a CO2 sensor are connected to our universal device, and our device changes into a two-sensor device. A computer or smartphone can also be used for display.

As illustrated below, when a light sensor is also plugged into our universal device using a three-way splitter, the universal device becomes a three-sensor device.



Figure 7. A pH sensor, a CO2 sensor, and a light sensor are connected to the universal device, and the device changes into a three-sensor device. A computer or smartphone can also be used for display.

As illustrated in Figure 8, the universal device can connect any number of sensors in any combination.



Figure 8. Any number of sensors in any combination can be connected to the universal device and changed it into a multiple sensor device. A computer or smartphone can also be used for the display.

As an example of the capabilities of the Ubiquitor, we implemented our universal device in the configuration pictured in Figure 9. This configuration demonstrates that our universal device simultaneously controls 27 light sensors, 21 pH sensors, and 23 temperature humidity sensors (which have 23 temperature sensors and 23 humidity sensors), representing one device controlling a total of 72 devices and 95 sensors. Our universal device also controls two lights in this configuration, which it can control by turning the lights on or off (including on a schedule) or by using a light sensor to control the lights' output intensity.



Figure 9. Our universal platform simultaneously monitors and controls 72 different devices and 95 sensors.

To illustrate, the entire horticulture industry has only a few hundred devices from different vendors for various measurement and control purposes. One of our universal smart devices and corresponding sensors or actuators can replace all at a fraction of the cost. Leveraging the same technical principles discussed above, we can simplify the smart control and monitoring in this and related industries (including agriculture and aquaculture) with a platform that requires little design work for interoperability between sensors and control devices.



Figure 10. Traditional horticulture measurement and control devices.



Figure 11. Universal Smart Device.

All household measurement and control devices, such as air conditioner controls, swimming pool controls, garage door controls, sprinkler controls, lighting controls, and motorized curtain controls, can be replaced by a single universal device and corresponding unique accessories.



Figure 12. A single universal smart device can replace all these household control devices.

Internet of Things Overview

IoT refers to the overarching network created by billions of internet-compatible devices and machines that share data and information worldwide. According to a Gartner report, by the end of 2020, there were an estimated 20 billion IoT-connected devices in use around the world. As the sophistication of both hardware and software in the consumer electronics industry skyrockets, an increasing share of the electronic devices produced around the world are manufactured with internet connectivity. Forecasts suggest that by 2030, around 50 billion of these IoT devices will be in use worldwide, creating a massive web of interconnected devices spanning everything from smartphones to kitchen appliances.^[17] The IoT will significantly impact the economy by transforming many enterprises into digital businesses, facilitating new business models, improving efficiency, and increasing employee and customer engagement. It is foreseeable that the explosive growth in IoT will rapidly deplete natural and human labor resources. We believe that IoT will soon reach a critical limit; we do not have enough human labor and natural resources to support IoT growth. Twenty billion IoT devices challenge existing resources. We have overcome the current massive IoT production challenges by developing a shared distributed universal IoT. Billions of internet-compatible devices and machines share data and information around the world and share a large section of hardware and software (up to 90%).

Billions of IoT devices are in use worldwide, each with different terminologies, technical specifications, and functional capabilities. These differences make it challenging to create one standard interoperability format for acquiring, harmonizing, storing, accessing, analyzing, and sharing data in near real-time. In fact, not even those instruments built on the same platform are necessarily interoperable because they are often highly customized to an organization's unique workflow and preferences.

Wireless networks are far from perfect for IoT. They are typically slower, expensive, and highly susceptible to radio signals and radiation interference. They can be accessed by any device within range of the network's signal, so unauthorized users may intercept information transmitted through the network (including encrypted data). Walls and floors can seriously limit the range of the wireless network. Our proprietary ultra-narrowband PLC technology offers a promising alternative to wireless networks. Integrating USIP with our ultra-narrowband PLC technology results in significant simplification and cost savings in implementing IoT, as illustrated in Figure 13. Using these technologies, we have designed IoT products for both residential and industrial usage and are now in the process of testing.

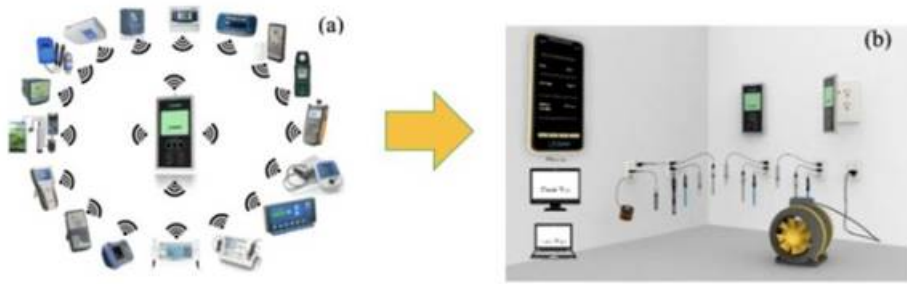


Figure 13. Comparison between (a) a traditional machine to machine IoT and (b) a shared distributed universal IoT, which depicts a USIP and sensors forming a local network through PLC technology. The platform communicates with the cloud to form a remote cloud-based system.

[17] Statista Report "Number of internet of things (IoT) connected devices worldwide in 2018, 2025 and 2030" available at <https://www.statista.com/statistics/802690/worldwide-connected-devices-by-access-technology/> (last accessed March 7, 2023).

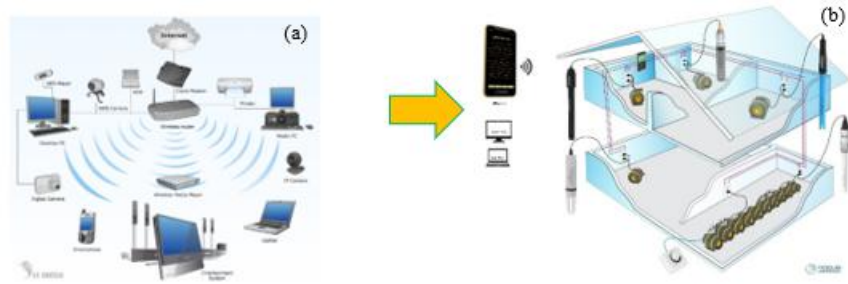


Figure 14. Comparison between (a) a traditional wireless network and (b) Focus Universal Inc.'s PLC network.

How we will implement our business plan

We currently operate in the scientific instruments industry and the smart home installations industry and plan to apply several of our new technologies to the IoT marketplace.

Four divisions have been established within our Company to develop and promote our technologies. We believe that our technologies, as depicted above, can be used in standalone device design and production and on large scale IoT device design and production, aiming to solve the attendant complexity and cost challenges.

a) Ultra-narrowband power line communication division.

Our ultra-narrowband PLC technology has achieved data transfer speeds of 4 megabits per second (“Mbps”), with a bandwidth of less than 1000 hertz (Hz). These results are 15 times faster than the Zigbee short-range wireless technology mesh networks and 100-400 times faster than Z-Wave’s low-energy wave short-range wireless technology. The current 4Mbps PLC modules will be used for IoT applications involving thousands of sensors. We are developing even higher communication speeds through our PLC. The ultra-narrowband PLC module will be integrated into ICs. This division will focus on ultra-narrowband PLC research and development, promoting and marketing ultra-narrowband PLC, ICs and finished products. We also intend to promote and market ICs, licensing, and contract designing.

Given that the power grid is an already established, ubiquitous network, connectivity via PLC technology may be the most cost-effective and scalable interconnectivity approach for the IoT. Due to the harsh electrical noise and interference currently present on power lines and to the variations in equipment and standards, that make data transfer using PLC technology limited and difficult, the global market for PLC technology is very limited.



Figure 15. Markets and Markets Updated date – Oct 25

The market size for PLC is expected to reach \$17.4 billion at the end of 2028.^[18] This prediction is based on current PLC technology, which provides speeds that are too slow (usually less than 9,600 bps), coverage that is too short (200-300 yards), and harsh electrical noise and interference. The major vendors of PLC technology include ABB, General Electric, Siemens, AMETEK, Schneider Electric, Texas Instruments, Maxim Integrated, Devolo, Cypress Semiconductor, ST Microelectronics, Panasonic, Microchip, Qualcomm Atheros, TP-Link Technologies, NETGEAR, D-Link, NXP Semiconductor NV, Landis+Gyr, Sigma Designs, Zyxel Communications, Nyx Hemera Technologies, and Renesas Electronics Corporation.

It is our understanding that no other vendor has developed a PLC technology application that is similar to our ultra-narrowband PLC technology. We believe that market size will increase significantly with the introduction of our ultra-narrowband PLC technology, which can overcome the interference and noise challenges presented by traditional PLC technology. We believe that by utilizing ultra-narrowband PLC, the global IoT communication infrastructure costs and operating costs can be reduced.

b) Ultra-narrowband wireless division

This division will focus on developing ultra-narrowband wireless technology and overcoming the challenges facing current 5G networks. We intend to sell DoC for wireless communication, licensing, and contract designing.

While developing our ultra-narrowband PLC technology, we gained insight into the development of a single carrier wave ultra-narrowband wireless technology, which aims to increase data transfer rates from 4 Mbps to 64 Mbps. We expect our ultra-narrowband wireless technology to achieve data transfer rates of 256 Mbps using 4 subcarrier waves, which is close to 5G speeds requiring more than three thousand subcarrier waves. The projected speed can be further increased if multiple carrier waves or higher operating frequencies are used.

[18] GlobalNewswire, December 19, 2022, <https://www.globenewswire.com/en/news-release/2022/12/19/2576452/0/en/Global-Programmable-Logic-Controller-PLC-Market-to-Reach-17-6-Billion-by-2028-Presence-of-Over-1-500-Manufacturers-Makes-it-Highly-Fragmented.html>, (March 7, 2023)

Our current research and development efforts are focused on an operating frequency of 64 megahertz (MHz), which is about 100 times lower than 4G networks (6 gigahertz (GHz)) and 5,000 times lower than 5G networks (up to 300 GHz). Our technology's 1,000 Hz bandwidth is approximately 20,000 times narrower than 4G networks and 100,000 times narrower than 5G networks. The narrower the bandwidth, the less energy consumption. By maintaining the 1,000 Hz bandwidth, our ultra-narrowband wireless technology can save electricity usage by a factor of up to 100,000 times when compared with a 5G network. We believe that our ultra-narrowband wireless technology has the potential to push the wireless frontier well beyond 5G. We finalized our ultra-narrowband technology research with data transfer speeds of 64-256 Mbps in the fourth quarter of 2022. We now need to build testing equipment. This requires us to design and build a digital device that can perform the digital speed testing. We have designed the devices and we should receive the finished circuit boards in the next few weeks and hope that such device will be completed by the end of 2023.

Markets and Markets projects that the 5G infrastructure market will reach USD 47,775 million by 2027, at a CAGR of 67.1%. The major players in the 5G infrastructure market are Huawei (China), Ericsson (Sweden), Samsung (South Korea), Nokia Networks (Finland), ZTE (China), NEC (Japan), CISCO (US), CommScope (US), Comba Telecom Systems (Hong Kong), Alpha Networks (Taiwan), Siklu Communication (Israel), and Mavenir (US). Huawei (China) is the leader in the 5G infrastructure market. Limited coverage, high energy consumption, and expensive infrastructure installation are the major holdups for the successful deployment of 5G technology. Most 5G technologies are based on broadband technology; our research suggests there are very few companies working on ultra-narrowband technology. We believe that adopting our ultra-narrowband wireless technology can provide significant cost savings to 5G spectrum bands, 5G network hardware, and 5G energy consumption.

c) User interface machine auto generation division

Established in 2009, our Company's software user interface machine auto generation technology division has developed 100 sensors in arbitrary combinations, all of which have been tested for the iOS system. RS-485 is an industrial specification that defines the electrical interface and physical layer for point-to-point communication of electrical devices. RS-485 is widely adopted and used in the IoT industry. Standard RS-485 modules available today usually do not support more than 100 sensors. The first version of UIMAGP has been completed and we believe should support more than 1,000 sensors. We intend to sell and license the software to device manufacturers that use our DoC ICs and other industries where the software can be applied.

UIMAGP can be used in IoT software design and can be applied to other industry sectors. This division is planning to expand to other industries as well.

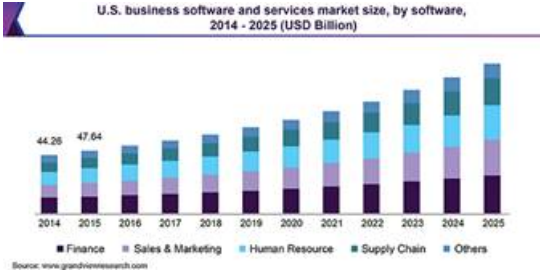


Figure 16. Software market size.

Today, some of the biggest companies within the software industry, including Microsoft, IBM, Oracle, SAP, and Salesforce, have still not developed a UIMAGP. Any software that can be created by low code and no code programming can also be created by using UIMAGP. However, the software created by UIMAGP achieves what low code and no code programming cannot because of the complexities of applying the code to different platforms and the accompanying required customization. One of the distinct features of UIMAGP is that the programming provides a starting point that includes foundational code that may be used on any platform or operating system. This makes the final programming much more efficient, as it needs relatively few lines of code to program a complicated application.

d) Universal smart instrument division

This division will focus on developing and marketing end-user universal smart instruments and shared distributed universal IoT devices for the commercial and residential markets. The development of universal smart instruments and IoT have considerable overlap, with the only difference being the number of devices involved. We will capitalize on this overlap by unifying universal smart instruments and IoT into a single system, eliminating any distinction between them. USIP, a cost-effective and fully production-ready hardware and software platform, provides a considerable advantage in shorting design, building, testing, and fixing cycles. Smart home products, including light controls, air conditioner controls, sprinkler controls, garden light controls, heating floor controls, motorized curtain controls, pool filtration and algae controls, smoke detector controls, carbon monoxide measurement, motion detectors, and doorbells, have been designed and tested.

This division will also develop and market end-user universal smart instruments and shared distributed universal IoT devices in the horticulture, agriculture, and aquaculture industries. Leveraging the Company's ultra-narrowband PLC technology and USIP, we intend to provide a more stable, secure, and faster network for large industrial operations requiring data-specific sensing and control automation to ensure optimal outcomes. According to Markets and Markets, the agriculture IoT market is expected to grow from \$11.4 billion in 2021 to \$18.1 billion by 2026, at a CAGR of 9.8%.^[19] A key factor driving the growth of this market is the rising demand for agricultural production due to increasing population and adoption of IoT and AI technologies by farmers and growers. Deere & Company (US), Trimble (US), Raven Industries (US), AGCO Corporation (AGCO) (US), AgJunction Inc. (AgJunction) (US), DeLaval (Sweden), GEA Farm Technology (Germany), Lely (Netherlands), Antelliq (France), AG Leader Technology (AG Leader) (US), Tigercat (Canada), Ponsse (Finland), Komatsu Forest AB (Sweden), Caterpillar (US), Treemetrics (Ireland), Topcon Positioning Systems (US), and DICKEY-john Corporation (US) are some of the major players in the agriculture IoT market. We have completed the design of certain PLC industrial IoT devices, including industrial light controls, temperature controls, humidity controls, carbon dioxide controls, digital lighting controls, quantum PAR measurement and controls, pH measurement and controls, TDS measurement and controls, and fan speed controls.

This division will also focus on developing device-on-a-chip (DoC) ICs, which we intend to sell to electronic device manufacturers for use in conjunction with the USIP. We will distinguish our DoC technology from the component ICs; these ICs can perform entire device functions. According to the Cision the globally integrated circuits market will be worth \$1,248.6 billion in 2030.^[20] Major players in the IC market are Intel Corporation, Texas Instruments, Analog Devices, STMicroelectronics, NXP, ON Semiconductor, Micron, Toshiba, Broadcom, and Qualcomm.

This division will also install and design customer solutions for residential and commercial IoT projects. The Company currently specializes in high-performance, easy-to-use audio/video, home theater, lighting control, automation, and home integration solutions for residential installation and custom solution services. On the commercial side, we plan to add well-trained staff ready to handle all aspects of voice, data, fiber, paging, audio-video services, CATV, and other low voltage premise cabling. All of our service providers hold certifications for multiple product lines and specialty work. The Company plans to use its current client base and expertise from these installation services to integrate products developed on the USIP into the project proposals.

^[19] Market and Markets, May 2021, Agriculture IoT Market worth \$18.1 billion by 2026, <https://www.marketsandmarkets.com/PressReleases/iot-in-agriculture.asp>, (last accessed March 7, 2023)

^[20] Cision, January 25, 2023, Integrated Circuits Market to Reach USD 1,248.6 Billion by 2030, <https://www.prnewswire.com/news-releases/integrated-circuits-market-to-reach-usd-1-248-6-billion-by-2030--301730536.html>, (last accessed March 7, 2023)

Products we are currently selling

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 rights. 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. We have 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, both via our sales staff and the Internet.

Universal Smart Device (Ubiquitor)

The initial, simplified version of universal smart IoT technology is our universal smart device (Ubiquitor). Theoretically, a single Ubiquitor can connect many sensors, including a vast number of independent sensors. When a moderate number of sensors are connected, the cost of the universal Ubiquitor, averaged over the number of sensors, becomes negligible. The Ubiquitor's efficient and cost-effective approach to the cost of connected sensors is illustrated by the fact that development under Focus' platform system is a fraction of traditional device development cost. This one-of-a-kind Ubiquitor was first showcased at the Consumer Technology Association's CES 2024 trade show, which attracted significant interest from potential customers.



Smart Home Installation

Through AVX Design and Integration, Inc. (“AVX”), an IoT installation and management company based in southern California, and a subsidiary of the Company, we offer residential customers an entire smart home product line. We have finished designing smart devices for lighting control, air conditioner control, sprinkler control, garden light control, garage door control, and heating control and are in the process of developing a swimming pool control device, smoke detector, and carbon monoxide monitor.

We believe smart installation based on the USIP, and our Ubiquitor together will include more functionalities than the current systems offered by our competitors. It is our goal that our smart systems would integrate, exchange data, interact and connect utilizing our forthcoming PLC technology. As a result, the installation process would be simplified, and its costs would be reduced.

Once successfully integrated, the Ubiquitor will be central to every smart installation with our IoT Installation Services segment. The Ubiquitor’s connectivity capabilities will allow that system to be expanded and customized in the future. We also plan to offer zero down payment options for installation of our smart systems and charge a monthly subscription fee instead.

Notwithstanding the foregoing, should we be unable to successfully integrate the Ubiquitor into our smart installations, the Ubiquitor will continue to be a flagship product of our Company that can be applied to various other purposes in the different industries and fields mentioned above.

Strategy and Marketing Plan

The Company plans to market the USIP to the industrial sector first, including key growth industries such as indoor agriculture. Once the technology is established in that industry, the core technologies of universality and interoperability through a readily available device, such as a mobile device or smartphone, may be ported to products specifically intended for the consumer and residential markets.

While industrial markets are large, the consumer and residential markets are even more significant. This two-phase approach will allow for continuous and increasing revenue growth. Moreover, during the industrial phase of development, the Company will test and refine its products to ensure that they are ready for the consumer and residential markets.

Once we have successfully entered the industrial sector, we intend to roll out additional technologies that are currently under development. These technologies will advance and support the core technologies marketed in phases one and two to the industrial and consumer markets.

We will continue to design, manufacture, market, and distribute our electronic measurement devices, such as temperature humidity meters, digital meters, quantum PAR meters, pH meters, TDS meters, and CO2 monitors. Over the years, Hydrofarm has developed a broad and loyal customer base that buys our existing products on a repeat basis. The universal smart technology has been applied to our existing traditional devices and demonstrated significant functional improvement and hardware cost savings. We believe hardware cost reductions of up to 90% have been achieved. However, promoting universal smart technology and universal smart IoT devices to our customers, including traditional instrument manufacturers, will be the central focus of our future business.

Our goals over the next three years include:

- Raise capital to move into full sales and marketing team for our Ubiquitor device and growing product lines;
- Partner with manufacturers and promote the adoption of our Ubiquitor device in a USIP;
- Acquire a stable market share of the sensor device market;
- Continue performing research and development on PLC technology;
- Focus on building our smart home offerings so that we can reduce the cost of smart home implementation to expand smart home installation and implementation beyond luxury homes;
- File additional patents to expand our intellectual property portfolio related to the many uses of our Ubiquitor device; and
- File patents to protect our PLC technology.

To achieve these goals, we intend to focus on the following initiatives:

- Position the Ubiquitor device as the industry standard in universal sensor reading technology;
- Establish strategic supply chain channels to facilitate efficient production operations; and
- Communicate the product and service differentiation through direct networking and effective marketing.

Growth Strategy

Growth through Mergers and Acquisitions

Mergers and acquisitions (“M&A”) represent a significant part of our growth strategy because M&A can fill business gaps or add key business operations without requiring us to wait years for marketing and sales cycles to materialize. We have used this growth strategy in our acquisition of AVX, and in the future intend to continue to use M&A to find and secure opportunities that will either: (i) achieve the objective of growth in our market segments; or (ii) provide an area of expansion that will add to the Company’s products and/or service lines in markets that we are currently not serving, but could serve if we had the appropriate expertise. The resulting combination of our existing products and services, new key personnel, and strategic partnerships through M&A will allow us to operate in new markets and provide new offerings to our existing market.

Acquiring key competitors may allow the addition of key personnel to our team. These additions may include people with vast industry knowledge, which can act as a catalyst to further our growth and lead to the development of new products and business lines. We will seek to target synergistic acquisitions in the same industry, targeting different geographic locations, which will allow us to actively compete on a regional or national scale in the IoT segment. If we target businesses in the same sector or location, we hope to combine resources to reduce costs, eliminate duplicate facilities or departments and increase revenue. We believe this strategy will allow for accelerated growth and maximize investor returns.

One of our key strategies to grow through M&A is to acquire smaller businesses that focus on IoT installation technology (industrial or residential) and in the USIP or PLC industries.

Original Equipment Manufacturer (“OEM”) Engineering Consulting and Design Services

Universal smart technology is new to most electronic engineers and manufacturers. One way to promote our universal smart technology is to provide direct OEM engineering design consulting services to potential industrial customers. Direct, on-site consulting will educate our industrial consumers on the many ways our technology can be implemented in a variety of industrial applications. We believe that we are well positioned to perform product design and engineering consulting services for future OEM customers. We believe we can operate as a seamless extension of our customers’ engineering organizations and add scale, flexibility, and speed to their design processes. We will not be able to offer such engineering consulting and design consulting services until the Ubiquitor is being produced and distributed. We believe that once the Ubiquitor is being produced and distributed, we will have hired and trained enough engineers to execute our consulting strategy. Through our engineering consulting services strategy, we intend to become our customers’ engineering partner at all stages of the design cycle so that we may effectively assist them in transforming ideas into production-ready products and accelerate time to market for our universal smart technology product segment.

Technology Licensing

We may also consider entering into licensing arrangements with our customers for our technology. We believe that once we educate our industrial consumers, they may want to integrate our universal smart technology into their own technology through licensing agreements. We believe licensing our intellectual property may provide a revenue stream with no additional overhead, all while allowing us to retain proprietary ownership and create long-term industrial consumers who rely on our products. By creating incentives, such as cost incentives, to license our IP rather than design their own technology, we believe potential customers could save on design costs and create business development opportunities. Licensing may also allow us to rely on the expertise, capacity, and skill of a licensee to commercialize our IP, which is especially valuable if we lack the infrastructure, financial resources, and know-how to bring a product to market independently.

Diversification of the Revenue Streams

We will continue to diversify our revenue stream through various expansion opportunities and in several other markets and industries. As our platforms can be applied to several sectors effectively to eliminate redundancy and increase effectiveness, we will seek to expand our operations into additional markets and adjacent sectors which we believe to have the potential to be effective long term. While this diversification may initially contain the risk during transition and adaption of moving to an adjacent market or sector, we believe the long term benefit of diversification to be net positive as previously, we had been subject to the risk of having one large client within one single sector, which we believe bears greater risk than the initial risk of transition.

Distribution Method

We intend to engage in relationships predominantly with standard U.S. component manufacturers and similar electronics providers for the manufacturing of unassembled parts of the Ubiquitor and its sensor nodes, and to then ship such parts to our Ontario, California facility where we will assemble the Ubiquitor devices and sensor nodes. Afterwards, we would distribute our Ubiquitor devices to distributors and retailers directly and also ship directly to traditional industrial instrument manufacturers. We have a sales department operating out of our Ontario, California office and eventually plan to open a second sales department in China dedicated to promoting our technologies to local instrument manufacturers who can utilize our Ubiquitor devices in their manufacturing and other processes. We intend to market the Ubiquitor to industrial end-users through direct business-to-business sales channels and also directly to consumers via e-commerce internet platforms. For our quantum light meters, and air filtration products, while we still continue to anticipate orders from Hydrofarm in 2024, we have begun to diversify away from one single dominant distributor into more diversified distribution channels, such as direct wholesale into retail outlets and direct distribution to end-users. We also intend to implement a direct sales method via Amazon.com and other online retailers.

Raw Materials

The electronic components used in the Ubiquitor are common and can be easily purchased through a variety of suppliers with little advanced notice. We predominantly use large-scale manufacturers in the United States such as Texas Instruments and Intel for the major components. Other key suppliers we could consider include Analog Devices, Skyworks Solutions, Infineon, STMicroelectronics, NXP Semiconductors, Maxim Integrated, On Semiconductor, and Microchip Technology. Production and assembly lines are also available worldwide if we needed to outsource or increase our capacity, though we intend to complete our assembly in our Ontario, California facility.

Manufacturing and Assembly

We have an assembly facility in Ontario, California where we assemble the Ubiquitor from parts sourced predominantly in the United States. Our quantum light meters and handheld sensors are also manufactured in our Ontario, California facility. Our air filtration products are manufactured and assembled in China by a third-party contract manufacturer, Tianjin Guanglee.

Our subsidiary unit in the Canton province of mainland China, Focus Universal (Shenzhen) Technology Co. LTD, was founded in December 2021 as an office for manufacturing procurement expertise and support research and development activities. Focus Universal (Shenzhen) Technology Co. LTD is designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region and as a lower cost form of support research and development as engineers are more plentiful in the region. In the future, this office could also handle other online marketing and marketing production activities, provided a cost and quality benefit exists at the time. This excludes any projects subject to approval or that require a separate business license in accordance with the local laws. China allows foreign entities to setup wholly owned limited liability companies in China, also known as Wholly Foreign Owned Enterprises (WFOEs), in non “restricted” or “prohibited” industries or business activities. The subsidiary’s business operation has been approved by the local government in Shenzhen to be qualified as a WFOE entity in China. The entity is 100% owned by Focus Universal Inc.

Key Competitive Advantages and Opportunities and Strengths

Across the world, everyday connected devices are getting incorporated in tandem collectively, including thermostats, water meters, home alarms, kitchen gadgets, medical equipment, factory machinery and even vehicles. Collectively, this ecosystem represents the next frontier in the digital revolution, also known as the Internet of Things or IoT. And unlike the simple automation of machinery, IoT is also mobile and virtual, and features a continuous Internet connection. The Internet of Things (IoT) is the next frontier in the digital revolution. It can help companies increase productivity, cut costs, offer new products and services, and deploy new business models. However, the costs of producing a single input or output device have become cost prohibitive to the point where a vast majority of the projects in this innovative field are considered failures.

Despite this forward technological momentum, a sector-wide study conducted by Cisco showed that 60 percent of IoT initiatives stalled at the very-early Proof of Concept (PoC) stage and only 26 percent of companies have had an IoT initiative that they considered a complete success. Furthermore, a third of all completed projects were not considered a failure. Herein lies both the key advantage of the platforms of the company and the opportunities and strengths. Our combined platforms are able to consolidate the eliminate the redundant work in the early stage development production costs within the IoT sector, whereby the project developers need not begin from scratch each time in the development of a new IoT product, eliminating upwards of 90% of the redundant, cost-prohibitive workload.

Competitors

Sensor Node Industry

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

Hach developed and launched the SC1000 Multi-parameter Universal Controller, a probe module for connecting 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 be a concern. In addition to purchasing the device, consumers usually have to pay a monthly fee for using web-based services.

IoT Installation Industry

There are several companies that compete with AVX in smart home installations, including Vivint Smart Home, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering a substantially lower price. An installation by Crestron ranges between \$20,000 and \$100,000 and by Control4 between \$20,000 and \$40,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$5,000 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.

Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. The global industrial air filtration market was valued at \$23.83 billion by 2029 and analysts expect it to register a CAGR of 7.2% because of the industrial need to control air quality across a range of industries.^[21] 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.

We are not trying to compete with traditional instruments or device manufacturers because we plan to utilize our Ubiquitor device in conjunction with our smartphone application. We believe the resulting product may compete in a much wider product category due to its many potential applications.

Our Corporate History

We are based in the City of Ontario, California, and were incorporated in Nevada in 2012. In December of 2013, we filed an S-1 registration statement that went effective on March 14, 2014. From March 14, 2014, through August 30, 2021, our securities traded on the OTCQB Market. From August 31, 2021, our securities traded on the Nasdaq Capital Market. From January 28, 2022, our securities traded on the Nasdaq Global Market.

Our website is www.focusuniversal.com. Our website and the information contained therein or connected thereto are not intended to be incorporated into this report.

The Company entered the residential and commercial automation installation service industry through the acquisition of AVX Design and Integration, Inc. ("AVX") in March of 2019. AVX was established in 2000 with the goal of installing high-performance, easy-to-use Audio/Video, Home Theater, Lighting Control, Automation, and Integration systems for high-net-worth residential projects.

[21] Fortune, The global air filters market is projected to grow from \$14.68 billion in 2022 to \$23.83 billion by 2029, exhibiting a CAGR of 7.2% in forecast period, 2022-2029, <https://www.fortunebusinessinsights.com/industry-reports/air-filters-market-101676>, (last accessed March 7, 2023)

Additionally, we are performing research and development on an electric power line communication (“PLC”) technology and have filed three patents with the United States Patent and Trademark Office (USPTO) related to our Ubiquitor device and the design of a quantum PAR photo sensor. Eventually, we hope that PLC technology will further enhance smart IoT installations performed by AVX and powered by the Ubiquitor.

In late 2018, we purchased a manufacturing warehouse and office space addressed at 2311 East Locust Court, Ontario, CA, 91761. The property consists of an industrial type, two-story building, with a total building area of 30,740 square feet. Ten thousand square feet will be utilized for office space; and 20,000 square feet will be utilized for warehouse space. The property includes 58 parking spaces. The purchase price for the property was approximately \$4.62 million.

On March 15, 2019, the Company entered into a stock purchase agreement with Patrick Calderone, the CEO and owner of AVX, whereby the Company purchased 100% of the outstanding stock of AVX (the “AVX Acquisition”) for \$890,716. The purchase price was structured as follows: (1) \$550,000 payable in cash at closing; (2) \$290,716 payable in 39,286 shares of the Company’s common stock issued upon closing; and (3) \$50,000 payable in the form of a secured promissory note at 6% interest over 12 months secured by six shares of AVX common stock. In connection with the AVX Acquisition, Patrick Calderone also entered into a consulting agreement with the Company pursuant to which he would offer consulting and training services during the 12-month period following the closing of the AVX Acquisition. Since AVX is an installer of smart home products, and since we anticipate that our Ubiquitor device can enhance smart home installations, we believe that this acquisition will allow us to test new applications and the integration capabilities of our Ubiquitor device in smart homes.

On August 31, 2021, the Company commenced trading on the Nasdaq Capital Market under the symbol “FCUV.”

On September 2, 2021, the Company announced the closing of an underwritten public offering of 2,300,000 newly issued shares of common stock at a price to the public of \$5.00 per share. The closing included the full exercise of the underwriters’ over-allotment option to purchase 300,000 shares of common stock at the public offering price, for gross proceeds to the Company of \$11.5 million, prior to deducting underwriting discounts and commissions and offering expenses payable by us.

On January 26, 2022, the Company announced approval for the uplist of its stock onto the Nasdaq Global Market exchange under the symbol “FCUV.”

On June 20, 2023, the Company received an industry award during InfoComm 2023 for its flexible transparent film display receiving Best of Show designation, winning in the AV Technology Category for LED Technology.

Patent, Trademark, License and Franchise Restrictions and Contractual Obligations and Concessions

On November 4, 2016, we filed a U.S. patent application number 15/344,041 with the USPTO. On March 5, 2018, we issued a press release announcing that the USPTO had issued 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 granted on March 20, 2018.

After our internal research and development efforts, we filed with the USPTO on June 2, 2017, a patent application regarding a process for improving the spectral response curve of a photo sensor. We believe that the small and cost-effective multicolor sensor and its related software protected by the potential patent could achieve a spectral response that approximates an ideal photo response to measure optical measurement. The patent was issued on February 26, 2019.

On November 29, 2019, the Company filed an international utility patent application through the patent cooperation treaty as application PCT/US2019/63880. In April 2020, the Company was notified that it received a favorable international search report from the International Searching Authority regarding this patent application, which patents the Company’s PLC technology. The World International Property Organization report 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 the patent covering the claims for its PLC technology will be issued in due course and will allow the Company to implement strong protections on the PLC technology worldwide.

On May 19, 2021, we filed thirteen provisional patent applications with the USPTO that we had been researching and developing for years, encompassing a broad spectrum of technology areas including sensor technology, wired and wireless communications, power line communications, computer security, software solutions, interconnected technological communications, smart home systems and methods for both home and hydroponic areas, dynamic password cipher, local file security, payment card security, infrared sensor, and a method and apparatus for high data rate transmission.

We continue to utilize the services of the law firm of Knobbe Martens, Olson & Bear, LLP based in Orange County, CA to serve as outside intellectual property counsel for the Company. The firm is working on transferring the Company's provisional patent applications to formal patent applications in addition to filing new provisional patents. In 2021, we filed 14 patents. We filed 18 domestic patents in 2022 (plus two international patents in 2022), and filed 3 patents in 2023.

In addition, the Company's patent number 11,488,468 was allowed and subsequently issued on November 1, 2022. The patent, titled Sensor for Detecting the Proximity of an IEEE 802.11 Protocol Connectable Device.

On April 3, 2023, the United States Patent and Trademark Office ("USPTO") issued an Issue Notification for U.S. Patent No. 11580558 entitled "Dynamic Anti-Counterfeit System and Method." The USPTO also issued an Issue Notification for U.S. Patent Application No. 11546017 entitled "System and Method of Power Line Communication." Both patents cover patent applications regarding the Company's PLC business.

Research and Development Activities

For the year ended December 31, 2023, we spent a total of \$1,386,810 on research and development activities; and for the year ended December 31, 2022, we spent a total of \$1,060,385.

Focus Universal (Shenzhen) Technology Co. LTD was founded as a mainland China office for manufacturing procurement expertise and non-confidential support research and development activities. This wholly owned subsidiary is registered to be engaged in IoT research and development, IoT sales and service, and other related activities.

Compliance with Environmental Laws

We are not aware of any environmental laws that have been enacted, nor are we aware of any such laws being contemplated for the future, that impact issues specific to our business.

Employees

As of the date of this report we have a total of 46 employees, with 43 full-time employees and 3 part-time employees. The Company's Chief Executive Officer and Secretary is Dr. Desheng Wang, and our Chief Financial Officer is Irving Kau. We have a head of marketing whose efforts are focused on the controlled agricultural market segment. We have eleven full-time senior electrical and computer engineers working on the research and development of our products. We have one full-time sales employee and three full-time employees are working on administrative tasks. We also have a full-time accounting manager/controller. Four employees perform audio/visual home installations for our subsidiary AVX, with one employee serving as the supervisor and operational head.

Legal Proceedings

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the Company, et. al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. In response to the Complaint, defendants filed a motion to compel arbitration asking the court to order Plaintiff to submit his claims to binding individual arbitration based on an arbitration agreement signed by Plaintiff at the outset of his employment. The motion was unfortunately denied, and in response, defendants filed an appeal. The appeal was also denied. Trial for this matter is set for October 30, 2024. Discovery is ongoing. AVX intends to vigorously contest this matter and disputes that the other defendants are proper parties to the litigation. However, since litigation and investigations are inherently uncertain, the outcome of this litigation could have a material impact on the Company.

On or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director of the Company, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. The parties have completed written discovery and most of the non-expert discovery. Trial is set for May 8, 2024. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

Reports to Securities Holders

We provide an annual report that includes audited financial information to our shareholders. We make our financial information equally available to any interested parties or investors through compliance with the disclosure rules for a small business issuer under the Exchange Act. We are subject to disclosure filing requirements including filing Form 10-K annually and Form 10-Q quarterly. In addition, we will file Form 8-K and other proxy and information statements from time to time as required. We do not intend to voluntarily file the above reports in the event that our obligation to file such reports is suspended under the Exchange Act. The public may read and copy any materials that we file with the Securities and Exchange Commission at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549.

The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

Risks Related to our Business and Industry

Although our financial statements have been prepared on a going concern basis, we must complete the sale of our facility to fund our operations in order to alleviate as a going concern.

Our current liquidity position raises substantial doubt about our ability to continue as a going concern. If we are able to improve our liquidity position by completing the sale of our facility, we may alleviate our going concern. While we believe the sale of the facility and the sale of real estate as a whole to be less speculative as a whole, we acknowledge that the transaction still remains to be completed and the risks remain in completion of that transaction. The accompanying consolidated financial statements do not include any adjustments that might result.

We have a history of operating losses, and we may not be able to sustain profitability.

We were incorporated on December 4, 2012; and as of December 31, 2023, we had an accumulated deficit of \$22,582,170. If we are not successful in growing revenues and controlling costs, we will not maintain profitable operations or positive cash flow, and even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

Because we have a limiting operating history with positive revenues, you may not be able to accurately evaluate our operations.

We were incorporated on December 4, 2012, and have had limited profitable operations to date. Therefore, we have a limited profitable operating history upon which to evaluate the merits of investing in our company. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the operations that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to the ability to generate sufficient cash flow to operate our business, and additional costs and expenses that may exceed current estimates. However, we expect to continue generating revenues. Additionally, we recognize that if the effectiveness of our business plan is not forthcoming, we will not be able to continue business operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

We require significant funding to develop, manufacture and market our Ubiquitor wireless sensor.

We may ultimately require up to \$20 million to fund the development, manufacturing, assembly and marketing strategy for the Ubiquitor. Once we achieve this fund-raising goal, we intend to position ourselves in the small device market, establishing the price at below a few hundred dollars. Due to superior functionality and low price, we expect to capture this section of the market easily. Once our product and service mature, and the Company becomes better known, we believe we could gain market share in the high-end market. None of this will be possible if we fail to obtain the funding we require. There is no guarantee that additional funding can be obtained on favorable terms, if at all.

We depend on key personnel.

Our future success will depend in part on the continued service of key personnel, particularly, Desheng Wang, our Chief Executive Officer, and Edward Lee, the Chairman of our Board.

If any of our directors and officers choose to leave the company, we will face significant difficulties in attracting potential candidates for replacement of our key personnel due to our limited financial resources and operating history.

Regulatory actions could limit our ability to market and sell our products.

Many of our products and the industries in which they are used are subject to U.S. and foreign regulation. Government regulatory action could greatly reduce the market for our Ubiquitor device and for smart home installation. For example, the power line grid, which is the communications grid that could be used by some of our products, is subject to special regulations in North America, Europe and Japan. In general, these regulations limit the ability of companies such as ours to use power lines as a communication medium. In addition, some of our competitors have attempted or may attempt to use regulatory actions to reduce the market opportunity for our products or to increase the market opportunity for their own products.

We outsource our product manufacturing and are susceptible to problems in connection with procurement, decreasing quality, reliability and protectability.

We assemble our Ubiquitor devices by using fully manufactured parts, the manufacturing of which has been fully outsourced. We have no direct control over the manufacturing processes of our products. This lack of control may increase quality or reliability risks and could limit our ability to quickly increase or decrease production rates.

We outsource the manufacturing of key elements of our quantum light meters and air filters to a single manufacturing partner, with whom we do not have a formal contractual relationship.

We outsource the manufacture of our quantum light meter and air filtration devices to a single contract manufacturer, Tianjin Guanglee Technologies Ltd. (“Tianjin Guanglee”). If Tianjin Guanglee’s operations are interrupted or if Tianjin Guanglee is unable to meet our delivery requirements due to capacity limitations or other constraints, we may be limited in our ability to fulfill new customer orders, and we may be required to seek new manufacturing partners in the future. Tianjin Guanglee has limited manufacturing capacity, is itself dependent upon third-party suppliers and is dependent on trained technical labor to effectively create components making up our devices or to repair special tooling. In addition, as of the date of this report, we do not have a formal development and manufacturing agreement that regulates our business relationship with Tianjin Guanglee. Although we continue to operate under the terms of an oral agreement, and we believe there are a multitude of manufacturers that could quickly replace Tianjin Guanglee, our manufacturing operations could be adversely impacted if we are unable to enforce Tianjin Guanglee’s performance.

Our potential inability to adequately protect our intellectual property during the outsource manufacturing of our quantum light meters and filtration products in China could negatively impact our performance.

In connection with our manufacturing outsourcing arrangements, we rely on third-party manufacturers to implement customary manufacturer safeguards onsite, such as the use of confidentiality agreements with employees, to protect our proprietary information and technologies during the manufacturing process. However, these safeguards may not effectively prevent unauthorized use of such information and technical knowhow or prevent the manufacturers from retaining them. We face risks that our proprietary information may not be afforded the same protection in China as it is in countries with more comprehensive intellectual property laws, and local laws may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights in China, and failure to obtain or maintain intellectual property or trade secret protection could adversely affect our competitive business position. If the third-party manufacturers of our proprietary products misappropriate our intellectual property, our business, prospects and financial condition could be materially and adversely affected.

Our business operations in China may negatively affect our ability to protect our intellectual property and our financial position.

On December 31, 2021, we set up a branch office in mainland China. Historically, China has not protected intellectual property rights to the same extent as the United States, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Any unauthorized use of our intellectual property rights could harm our competitive advantages and business. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and could involve substantial risks to us. If we are unable to adequately protect our intellectual property rights, we may lose these rights and our business may suffer materially. Moreover, the complexities that arise from operating in a different tax jurisdiction inevitably led to an increased exposure to international taxation. Should review of our tax filings result in unfavorable adjustments, our operating results, cash flows, and financial position could be materially and adversely affected.

The size and future growth in the market for our Ubiquitor device or our PLC technology has not been established with precision and may be smaller than we estimate, possibly materially. If our estimates and projections overestimate the size of this market, our sales growth may be adversely affected.

Our estimates of the size and future growth in the market for our Ubiquitor device or our PLC technology is based on several internal studies, reports and estimates. In addition, our internal estimates are based on current feedback from clients using current generation technology and our belief is that the use and implementation of our technologies in the United States and worldwide will be extensive. While we believe we are using effective tools in estimating the total market for Ubiquitor device or our PLC technology, these estimates may not be correct and the conditions supporting our estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. The actual demand for our products or competitive products, could differ materially from our projections if our assumptions are incorrect. As a result, our estimates of the size and future growth in the market for the Ubiquitor device or our PLC technology may prove to be incorrect. If the demand is smaller than we have estimated, it may impair our projected sales growth and have an adverse impact on our business.

If we are unable to properly forecast future demand of our products, our production levels may not meet demands, which could negatively impact our operating results.

Our ability to manage our inventory levels to meet our customer's demand for our products is important for our business. Our production levels and inventory management are based on demand estimates six to twelve months forward considering supply lead times, production capacity, timing of shipments, and dealer inventory levels. If we overestimate or underestimate demand for any of our products during a given season, we may not maintain appropriate inventory levels, which could negatively impact our net sales or working capital, hinder our ability to meet customer demand, or cause us to incur excess and obsolete inventory charges.

Demand for our Ubiquitor product may be affected by new entrants who copy our products and/or infringe on our intellectual property.

The ability to protect and enforce intellectual property rights varies across jurisdictions. An inability to preserve our intellectual property rights may adversely affect our financial performance. Competitors and others may also initiate litigation to challenge the validity of our intellectual property or allege that we infringe their intellectual property. We may be required to pay substantial damages if it is determined our products infringe on their intellectual property. We may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license on terms that are not favorable to us. Protecting or defending against such claims could significantly increase our costs, divert management's time and attention away from other business matters, and otherwise adversely affect our results of operations and financial condition.

Internal system or service failures, including as a result of cyber or other security incidents, could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation, our business, financial condition, results of operations and cash flows. Our connected products potentially expose our business to cybersecurity threats.

Some of our products connect to the internet and potentially expose our business to cybersecurity threats. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to our systems to sophisticated and targeted measures known as advanced persistent threats directed at our products, our customers and/or our third-party service providers, including cloud providers. There has been an increase in the frequency and sophistication of cyber and other security threats we face, and our customers are increasingly requiring cyber and other security protections and standards in our products, and we may incur additional costs to comply with such demands.

The potential consequences of a material cyber, or other security incident include financial loss, reputational damage, negative media coverage, litigation with third parties, which in turn could adversely affect our competitiveness, business, financial condition, results of operations and cash flows.

Our sensor segment is subject to risks associated with operations as we diversify away from a single dominant customer.

While in the past we were subject to volatility as a result of having only one dominant customer, diversification away from a single customer also poses some risks associated with the migration. While the company will possess more revenues streams, the migration away from a single steady customer poses risks as we begin to build new relationships. Along with new marketing efforts, we need to continue to cater to the needs of these new customers or the business may fluctuate or vanish.

Our air filtration business segment could experience price fluctuations in raw materials, availability problems, and volatile demand.

The principal raw materials that we use are filter media, activated charcoal, perforated metal sheet, and certain other petroleum-based products, like plastics, rubber, and adhesives. Our cost of filter media can experience price fluctuations. Larger competitors can enter selective supply arrangements with major suppliers that reduce medium-to-long-term volatility in costs. We cannot guarantee purchases in the volume that justifies such selective supply arrangements. Thus, we could be subject to price volatility.

Prices and availability for the electronic parts and plastics we need to assemble the Ubiquitor could fluctuate.

The principal raw materials that we use for our Ubiquitor device are standard industrial electronics parts and plastics that are generally easily available through a variety of U.S. domestic and foreign manufacturers. Such raw materials can experience price fluctuations due to a variety of factors, such as tariffs, import/export fees and delays, and availability. If there is scarcity, then larger competitors could be given purchasing priority with major suppliers that could make it so smaller companies like us experience volatility in costs and/or availability issues. Also, since we have not yet manufactured in large numbers, our management team might not have the expertise to mitigate such price fluctuations or availability concerns. Thus, suppliers could stop selling to us because of demand. Even though it is possible to find alternative suppliers, changing to new suppliers could delay production and affect the quality of certain products.

Changes in tariffs, import or export restrictions, Chinese regulations or other trade barriers may reduce gross margins.

We currently source products from manufacturers in China, including digital, analog, and quantum light meters, filtration products and certain components for our Ubiquitor device. Currently, the prices we offer to Hydrofarm are FOB (Free on Board) China. Only the cost of delivering the goods to the nearest port is included and Hydrofarm is responsible for the shipping from China and responsible for all other fees, including tariffs, associated with delivering the goods to the ultimate destination. If Hydrofarm changes the term to CIF (Cost, Insurance, and Freight) United States, then we would be responsible for the shipping costs and the tariff costs, which may reduce our gross margin. Thus, we may incur increases in costs due to changes in tariffs, import or export restrictions, other trade barriers, or unexpected changes in regulatory requirements, any of which could reduce our gross margins. Moreover, volatile economic conditions may impact the ability of our suppliers to make timely deliveries; and if a supplier fails to make a delivery, there is no guarantee that we will be able to timely locate an alternative supplier of comparable quality at an acceptable price.

Since the beginning of 2018, there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding tariffs against imports of certain materials. It is difficult to anticipate the impact on our business caused by the proposed tariffs or whether the proposed changes in tariffs will materialize in the future. Given the relatively fluid regulatory environment in China and the United States, there could be additional tax, tariffs, or other regulatory changes in the future. Any such changes could directly and materially adversely impact our business, financial condition, and operating results.

Our failure to respond to rapid change in the technology markets could cause us to lose revenue and harm our competitive position.

Our future success will depend significantly on our ability to develop and market new products that keep pace with technological developments and evolving industry standards for technology. We are currently developing products, including our Ubiquitor device, universal smart monitors, and controllers, distributed shared universal smart home products, and smart products for the gardening industry, for MacOS, PC, as well as mobile operating systems such as Android and iOS, that transmit data over Wi-Fi signals, cellular signals, Bluetooth, certain power line systems, traditional wired systems, and other radio frequency systems that enable data transmission. Our delay or failure to develop or acquire technological improvements, adapt our products to technological changes or provide technology that appeals to our customers may cause us to lose customers and may prevent us from generating revenue which could ultimately cause us to cease operations.

Our business depends on our ability to keep manufacturing costs low; and we may lack the expertise necessary to negotiate and maintain favorable pricing, supply, business and credit terms with our potential vendors.

It may be difficult to negotiate or maintain favorable pricing, supply, business or credit terms with our potential vendors, suppliers and service providers. In addition, product manufacturing costs may increase if we fail to achieve anticipated volumes. There can be no assurance that we will be able to successfully manage these risks. In summary, we can offer no assurance that we will be able to obtain a sufficient (but not excess) supply of products on a timely and cost-effective basis. Our failure to do so would lead to a material adverse impact on our business.

Since wireless networks are susceptible to interference and other limitations, and one advantage of our Ubiquitor device and our USIP platform is that it can connect to wireless networks as one way to transmit data, wireless network limitations may reduce the competitive advantage of the Ubiquitor and USIP platform in the marketplace.

Our Ubiquitor and USIP platform relies on both wired and wireless networks to transmit data, which is a major advantage of the Ubiquitor device and the USIP platform. Wireless networks allow multiple users to access large amounts of information without the hassle of running wires to and from each IoT device. However, wireless networks have technological limitations and there are several disadvantages that our Ubiquitor device may face when using a wireless network. Wireless networks are typically expensive; it can cost up to four times more to set up a wireless network than to set up a wired network. The range of a wireless network is limited, and a typical wireless router will only allow individuals located within 150 to 300 feet to access the network. Wireless networks are extremely susceptible to interference from radio signals, radiation, and other similar types of interference. Such interference may cause a wireless network to malfunction. Wireless networks can be accessed by any IoT device within range of the network's signal so information transmitted through the network (including encrypted information) may be intercepted by unauthorized users. Wireless networks are typically slower than wired networks, sometimes even up to 10 times slower. Walls and floors can seriously limit the range of your wireless network. Since wireless networks have severe limitations, these limitations may reduce the competitive advantage that the Ubiquitor provides in the marketplace which might prevent widespread adoption.

Demand for our products is uncertain and depends on our currently unproven ability to create and maintain superior performance.

Our future operating results will depend upon our ability to provide our products or services and to operate profitably in an industry characterized by intense competition, rapid technological advances, and low margins. This, in turn, will depend on several factors, including:

- Our ability to generate significant sales and profit margin from the Ubiquitor device;
- Worldwide market conditions and demand for sensor devices and other products we may continue to add as we move forward;
- Our success in meeting targeted availability dates for our products and services;
- Our ability to develop and commercialize new intellectual property and to protect existing intellectual property;
- Our ability to maintain profitable relationships with our distributors, retailers and other resellers;
- Our ability to maintain an appropriate cost structure;
- Our ability to attract and retain competent, motivated employees;
- Our ability to comply with applicable legal requirements throughout the world; and
- Our ability to successfully manage litigation, including enforcing our rights, protecting our interests, and defending claims made against us.

These factors are difficult to manage, satisfy and influence and we cannot provide any assurance that we will be able to generate significant demand for and sales of our products.

The Ubiquitor device could fail to gain traction in the marketplace for several reasons that would adversely impact our financial results and cause our investors to lose money.

Future rollout of the Ubiquitor entail numerous risks such as:

- Any lack of market acceptance of the Ubiquitor;
- Failure to maintain acceptable arrangements with product suppliers, particularly considering lower than anticipated volumes;
- Manufacturing, technical, supplier, or quality-related delays, issues, or concerns, including the loss of any key supplier or failure of any key supplier to deliver high quality products on time;
- Competition;
- Potential declines in demand for sensor devices; and
- Risks that third parties may assert intellectual property claims against our products.

To compete successfully, we must accurately forecast demand, closely monitor inventory levels, secure quality products, continuously drive down costs, meet aggressive product price and performance targets, create market demand for our brand and hold sufficient, but not excess, inventory.

Our Ubiquitor device greatly depends on the growth and adoption of the IoT market, and other next-generation internet and smartphone-based applications.

The Internet may ultimately prove not to be a viable commercial marketplace for IoT applications for several reasons, including:

- unwillingness of consumers to shift to and use other such next-generation Internet-based, smartphone-assisted applications;
- refusal to purchase our products and services;
- perception by end-users with respect to the quality of our wireless sensors in an industry historically dominated by wired sensors;
- competition;
- inadequate development of smartphone infrastructure to keep pace with increased levels of use; and
- increased government regulations in a relatively unregulated marketplace.

There is a risk that the market will not adapt to using the smartphone readout as a substitute platform for sensor devices, causing our products to fail in the marketplace.

Most products on the small sensor device market do not currently use smartphones to collect and analyze sensor data. There is no guarantee that using smartphone technology will cut production costs and be well received. If our USIP using smartphone technology is not well received, there is a risk that device manufacturers will develop new monitoring and operating components that are incompatible with our current platform instead of developing the traditional sensors that are compatible with our technology. Updating our platform to stay compatible with new components could increase our costs unexpectedly.

Using wireless transmission technologies such as Wi-Fi and Bluetooth may create security risks.

There is also a risk of failure based on the wireless transmission of data used by our smartphone platform. If there is instability in a wireless network, Bluetooth sensor, or other network problems that are out of our control, our new platform may not be well received. Our smartphone platform relies on the wireless transmission of data through Wi-Fi networks and Bluetooth sensors. These networks are often deemed less secure than a hard-wired network. The security of a wireless network is often out of our control. However, any breach of security could result in the market and sensor device manufacturers to fail to embrace our platform.

Our business involves the use, transmission and storage of confidential information, and the failure to properly safeguard such information could result in significant reputational harm.

We may at times collect, store, and transmit information of, or on behalf of, our clients that may include certain types of confidential information that may be considered personal or sensitive, and that are subject to laws that apply to data breaches. We believe that we take reasonable steps to protect the security, integrity, and confidentiality of the information we collect and store, but there is no guarantee that inadvertent or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts to protect this information, including through a cyber-attack that circumvents existing security measures and compromises the data that we store. If such unauthorized disclosure or access does occur, we may be required to notify persons whose information was disclosed or accessed. Most states have enacted data breach notification laws and, in addition to federal laws that apply to certain types of information, such as financial information, federal legislation has been proposed that would establish broader federal obligations with respect to data breaches. We may also be subject to claims of breach of contract for such unauthorized disclosure or access, investigation and penalties by regulatory authorities and potential claims by persons whose information was disclosed. The unauthorized disclosure of information, or a cyber-security incident involving data that we store, may result in the termination of one or more of our commercial relationships or a reduction in client confidence and usage of our services. We may also be subject to litigation alleging the improper use, transmission, or storage of confidential information, which could damage our reputation among our current and potential clients and cause us to lose business and revenue.

Product liability associated with the production, marketing, and sale of our products, and/or the expense of defending against claims of product liability, could materially deplete our assets and generate negative publicity which could impair our reputation.

The production, marketing and sale of digital products have inherent risks of liability in the event of product failure or claim of harm caused by product operation. Furthermore, even meritless claims of product liability may be costly to defend against. We do not currently have product liability insurance for our products. We may not be able to obtain this insurance on acceptable terms or at all. Because we may not be able to obtain insurance that provides us with adequate protection against all or even some potential product liability claims, a successful claim against us could materially deplete our assets. Moreover, even if we can obtain adequate insurance, any claim against us could generate negative publicity, which could impair our reputation and adversely affect the demand for our products, our ability to generate sales and our profitability. For the products we sell through Hydrofarm, we also do not carry product liability insurance. It is our management's position that these handheld battery-operated products do not carry substantial product liability risk and to the extent there are any product liability risks, such risks are born by Hydrofarm, who does carry product liability insurance coverage for the products we provide to them, and they sell to their customers. However, it is possible that we could face liability in a products liability lawsuit for manufacturing defects or defective design since we design or manufacture the products sold by Hydrofarm.

Some of the agreements that we may enter with manufacturers or distributors of our products and components of our products may require us:

- to obtain product liability insurance; or
- to indemnify manufacturers against liabilities resulting from the sale of our products.

If we are not able to obtain and maintain adequate product liability insurance, then we could be in breach of these agreements, which could materially adversely affect our ability to produce our products and generate revenues. Even if we can obtain and maintain product liability insurance, if a successful claim in excess of our insurance coverage is made, then we may have to indemnify some or all of our manufacturers or distributors for their losses, which could materially deplete our assets.

We may not be able to identify suitable acquisition targets or otherwise successfully implement a growth strategy reliant on mergers and acquisitions.

To expand our business, we hope to pursue mergers and acquisitions to acquire new or complementary businesses, services or technologies. We expect to continue evaluating potential strategic acquisitions of businesses, services, and technologies. However, we may not be able to identify suitable candidates, negotiate appropriate or favorable acquisition terms, obtain financing that may be needed to consummate such transactions or complete proposed acquisitions. Any such future mergers and acquisitions would be accompanied by the risks commonly encountered in acquisitions of companies, including, among other things, the difficulty of integrating the operations and personnel of the acquired companies; the potential disruption of the Company's ongoing business; the inability of management to incorporate successfully acquired technology and rights into the Company's services and product offerings; additional expense associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; and the potential impairment of relationships with employees, customers and strategic partners.

Our growth strategy includes licensing our intellectual property, and we run the risk that a licensee could become a competitor.

As part of our growth strategy, we anticipate licensing our intellectual property. Licensing our intellectual property could potentially damage our business if a licensee becomes a competitor, especially once the statutory rights to our intellectual property have expired or the licensing arrangement with a licensee has terminated. A licensee could develop modifications of our intellectual property and choose to compete with us in the marketplace. Litigation may be necessary to protect our rights to our intellectual property. Even if we are successful, litigation could result in substantial costs and be a distraction to our management team. If we are not successful, we could lose valuable intellectual property rights.

Product defects could result in costly fixes, litigation, and damages.

Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and sale of our products. If there are claims related to defective products (under warranty or otherwise), particularly in a product recall situation, we could be faced with significant expenses in replacing or repairing the product. For example, our filtration products or Ubiquitor devices obtain raw materials, machined parts and other product components from suppliers who provide certifications of quality which we rely on. Should these product components be defective and pass undetected into finished products, or should a finished product contain a defect, we could incur significant costs for repairs, re-work and/or removal and replacement of the defective product. In addition, if a dispute over product claims cannot be settled, arbitration or litigation may result, requiring us to incur attorneys' fees and exposing us to the potential of damage awards against us.

Only two officers have public company experience on our management team which could adversely impact our ability to comply with the reporting requirements of U.S. securities laws.

Amongst our officers, only Dr. Desheng Wang, our CEO, and Irving Kau, our CFO, have public company experience. Our CEO and CFO are ultimately responsible for complying with federal securities laws and making required disclosures on a timely basis. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our ability to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, which is necessary to maintain our public company status. If we were to fail to fulfill those obligations, our ability to continue as a U.S. public company would be in jeopardy in which event you could lose your entire investment in our Company.

Some of our officers, directors, consultants, and advisors are involved in other businesses and not obligated to commit their time and attention exclusively to our business and therefore they may encounter conflicts of interest with respect to the allocation of time and business opportunities between our operations and those of other businesses.

Another example of a conflict of interest are so called “self-dealing” transactions. If a conflict-of-interest transaction is negotiated and approved, in a manner that approximates arms-length negotiations, the transaction is accepted unless a shareholder proves in court that the transaction is not entirely fair to the company or its shareholders. The burden is on the shareholder to show lack of entire fairness. A self-dealing transaction is considered invalid if challenged, unless the interested director proves in court that the transaction is entirely fair to the Company. The burden is on the director to show entire fairness.

If, because of these conflicts, we may be deprived of business opportunities or information, the execution of our business plan and our ability to effectively compete in the marketplace may be adversely affected. If our audit committee becomes aware of such conflict of interests, we will take an immediate action to resolve it. Each conflict of interest will be handled by the Company based on the nature of the conflict and the individual involved in it.

We are not aware of any current or potential conflict of interests with our consultants or advisors.

We have concluded that we have not maintained effective internal control over financial reporting through the years ended December 31, 2023, and December 31, 2022. Significant deficiencies and material weaknesses in our internal control could have material adverse effects on us.

It is important for us to maintain effective internal control over financial reporting, which is a process designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unsuccessful in implementing or following our remediation plan, we may not be able to timely or accurately report our financial condition, results of operations or cash flows or maintain effective disclosure controls and procedures. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

Our executive officers and directors collectively have the power to control our management and operations and have a significant majority in voting power on all matters submitted to the stockholders of the Company.

Our CEO and one of our directors, Dr. Desheng Wang, owns 33.343% of the outstanding shares of our common stock as of the date of this report. Two of our directors together own over 50% of the outstanding shares of our common stock. Accordingly, our directors have a significant influence in determining the outcome of all corporate transactions or other matters, including mergers, consolidations, and the sale of all or substantially all of our assets. They also have the power to prevent or cause a change in control. The interests of our directors may differ from the interests of the other stockholders and thus result in corporate decisions that are disadvantageous to other shareholders.

Management currently beneficially owns most of our outstanding common stock. Consequently, management can influence control of the operations of the Company and, acting together, will have the ability to influence or control substantially all matters submitted to stockholders for approval, including:

- Election of our board of directors;
- Removal of directors;
- Amendment to the Company's Articles of Incorporation or Bylaws; and
- Adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination.

These stockholders have complete control over our affairs. Accordingly, this concentration of ownership by itself may have the effect of impeding a merger, consolidation, takeover or other business consolidation, or discouraging a potential acquirer from making a tender offer for the common stock.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Members of our Board of Directors are inexperienced with U.S. GAAP and the related internal control procedures required of U.S. public companies. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions.

We are a smaller reporting company with limited resources. Therefore, we cannot assure investors that we will be able to maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The Company has deficiencies over financial statements in areas of recording revenue and expenses in proper cut off as well as proper classification of accounts. For these reasons, we are considering the costs and benefits associated with improving and documenting our disclosure controls and procedures and internal controls and procedures, which includes (i) hiring additional personnel with sufficient U.S. GAAP experience and (ii) implementing ongoing training in U.S. GAAP requirements for our CFO and accounting and other finance personnel. If the result of these efforts are not successful, or if material weaknesses are identified in our internal control over financial reporting, our management will be unable to report favorably as to the effectiveness of our internal control over financial reporting and/or our disclosure controls and procedures, and we could be required to further implement expensive and time-consuming remedial measures and potentially lose investor confidence in the accuracy and completeness of our financial reports which could have an adverse effect on our stock price and potentially subject us to litigation.

The requirements of being a public company may strain our resources and distract our management.

We are required to comply with various regulatory and reporting requirements, including those required by the Securities and Exchange Commission. Complying with these reporting and other regulatory requirements is time-consuming and may result in increased costs to us and could have a negative effect on our business, results of operations and financial condition.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and requirements of the Sarbanes-Oxley Act of 2002, as amended, or SOX. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and financial condition. SOX requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly and increase demand on our systems and resources.

These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business and results of operations.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

Risks Related to the Ownership of our Common Stock

Our shares may be affected by short selling practices which may decrease the stock price.

The Company believes that certain individuals and/or companies may have engaged in manipulative and/or suspected illegal trading practices that may artificially depress our share price. There is great concern in today's market environment regarding the potential targeting of publicly traded companies in a market manipulation scheme involving illegal naked short selling of stock. The Company finds such suspected manipulation completely unacceptable as it distorts the value of the Company and negatively impacts shareholders who have invested their hard-earned money. We are considering engaging third party service providers to further investigate these practices by aggregating and analyzing repository data from reporting entities, broker-dealers and shareholders enabling us to proactively track shareholder ownership, identify parties involved in suspicious, aberrant, or unusual trading activity and deploy corrective action steps to help curtail such activity.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules, and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and liquidity of our shares.

An increase of free trading shares of our common stock could result in substantial sales of common stock on the open market which could cause our stock price to fall substantially.

In 2018, we registered 19,904,706 shares of our common stock for more than 300 shareholders, which is substantially more than the 18,018,039 shares of common stock that are currently free trading. Any increase in freely trading shares, or the perception that such shares will or could come onto the market could have an adverse effect on the trading price of the stock. No prediction can be made as to the effect, if any, that sales of these shares, or the availability of such shares for sale, will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of common stock may be sold in the public market may adversely affect prevailing market prices for our common stock and could impair our ability to raise capital through the sale of our equity securities or impair our shareholders' ability to sell on the open market.

You could be diluted from our future issuance of capital stock and derivative securities.

As of December 31, 2023, we had 64,771,817 shares of common stock outstanding and no shares of preferred stock outstanding. We are authorized to issue up to 75,000,000 shares of common stock and no shares of preferred stock. To the extent of such authorization, our Board of Directors will have the ability, without seeking stockholder approval, to issue additional shares of common stock or preferred stock in the future for such consideration as the Board of Directors may consider sufficient. The issuance of additional common stock or preferred stock in the future may reduce a shareholder's proportionate ownership and voting power.

Substantial future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial shares of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares.

In the future, we may issue our securities if we need to raise capital in connection with a capital raise or acquisitions. The number of shares of our common stock issued in connection with a capital raise or acquisition could constitute a material portion of our then-outstanding shares of our common stock and have a dilutive effect on our shareholders which could have a material negative effect on our stock price.

Future sales of our common stock by existing stockholders could cause our stock price to decline.

If our existing stockholders sell substantial shares of our common stock in the public market, then the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of common stock also could depress the market price of our common stock. There are approximately 64,771,817 shares of our common stock outstanding as of April 1, 2024, of which approximately 26,989,222 shares are currently freely tradable.

Certain existing holders of most of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. If the sale of these shares are registered, they will be freely tradable without restriction under the Securities Act. In the event such registration rights are exercised and many shares of common stock are sold in the public market, such sales could reduce the trading price of our common stock.

A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

We do not intend to pay dividends and there will be less ways in which you can make a gain on any investment in Focus Universal Inc.

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may likely prohibit the payment of a dividend. Because we do not intend to declare dividends, any gain on an investment in Focus Universal Inc. will need to come through appreciation of the stock's price.

Sales of a substantial number of shares of our common stock in the public market by certain of our shareholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock, and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of shares of our common stock.

An active trading market for our common stock may not be maintained.

Our common stock is currently listed on the Nasdaq Global Market under the symbol “FCUV,” but we can provide no assurance that we will be able to maintain an active trading market on this or any other exchange in the future. A lack of an active market may impair the ability of our stockholders to sell shares at the time they wish to sell or at a price that they consider favorable. The lack of an active market may also reduce the fair market value of our common stock, impair our ability to raise capital by selling shares of capital stock and may impair our ability to use common stock as consideration to attract and retain talent or engage in business transactions (including mergers and acquisitions). In 2021, our common stock was listed on the Nasdaq Capital Market. Our stock was uplisted onto the Nasdaq Global Market on January 28, 2022. On March 20, 2024 and March 22, 2024, we received two separate letters from the Listing Qualifications Department (the “Staff”) of the Nasdaq Stock Market (“Nasdaq”). The March 20, 2024 letter was notifying the Company that based upon the closing bid price for the last 30 consecutive business days, the Company no longer meets the Nasdaq Listing Rule 5450(a)(1) (the “Bid Price Rule”). In addition, on March 22, 2024, Nasdaq notified the Company that since the Company’s Market Value of Listed Securities (“MVLS”) has fallen below \$50,000,000 the Company no longer satisfies the requirements to qualify for the Nasdaq Global Market pursuant to Nasdaq Listing Rule 5450(b)(2)(A) (the “MVLS Rule”). 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 “Compliance Period Rule”), the Company has been provided an initial period of 180 calendar days, or until September 16, 2024 and September 18, 2024, (the “Compliance Date”), to regain compliance with the Bid Price Rule and the MVLS Rule, respectively. If, at any time before the Compliance Date, the bid price of the Company’s security is at least \$1 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 Bid Price Rule. Concurrently, if, at any time before the Compliance date the Company’s MVLS is over \$50,000,000 or more for a minimum of ten consecutive business days then this matter will be closed with respect to the MVLS Rule.

If the Company is not in compliance with the Bid Price Rule by September 16, 2024, the Company may be afforded a second 180 calendar day period to regain compliance. Pursuant to Rule 5810(c)(3)(A)(i)-(ii), to qualify, the Company would be required to transfer to The Nasdaq Capital Market and then meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and would need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. For the MVLS Rule, if the Company does not regain compliance by September 18, 2024, then the Company will be required to transfer to the Nasdaq Capital Market where the MVLS is \$35,000,000.

The Company will continue to actively monitor the closing bid price of its common stock and will evaluate available options, including, without limitation, submitting a transfer application to the Nasdaq Capital Market and/or seeking to effect a reverse stock split, in order to resolve the deficiency and regain compliance with the Bid Price Rule and the MVLS Rule. The Company’s common stock will continue to be listed and traded on The Nasdaq Global Market during the first 180-day compliance period that ends on the Compliance Date, subject to the Company’s compliance with the other continued listing requirements of the Nasdaq Global Market.

Our shares of common stock are only recently listed on NASDAQ, and we may not be able to maintain the continued listing standards.

NASDAQ requires companies to fulfill specific requirements in order for their shares to continue to be listed. There is no guarantee that our common stock will maintain NASDAQ continued listing standards and we may be delisted. If our common stock is delisted from NASDAQ, our shareholders could find it difficult to sell their common stock.

If the shares of our common stock were to be delisted from NASDAQ, we expect that it would be traded on the OTCQB or OTCQX marketplaces, which are unorganized, inter-dealer, over-the-counter markets that provide significantly less liquidity than NASDAQ or other national securities exchanges. Thus, a delisting from NASDAQ may have a material adverse effect on the trading and price of our common stock.

If we are unable to maintain compliance with NASDAQ continued listing standards, including maintenance of at least \$2.5 million of stockholders' equity and maintenance of a \$1.00 minimum bid price, our common stock may be delisted from NASDAQ.

There can be no assurances that we will be able to maintain our NASDAQ listing in the future. In the event we are unable to maintain compliance with NASDAQ continued listing standards and our common stock is delisted from NASDAQ, it could likely lead to a number of negative implications, including an adverse effect on the price of our common stock, reduced liquidity in our common stock, the loss of federal preemption of state securities laws and greater difficulty in obtaining financing. In the event of a delisting, we would take actions to restore our compliance with NASDAQ's continued listing standards, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the NASDAQ minimum bid price requirement or prevent future non-compliance with NASDAQ's continued listing requirements.

Risks Related to Our Acquisition of AVX

If we are unable to manage our anticipated post-acquisition growth effectively, our business could be adversely affected.

We anticipate that because of the significant expansion of our operations and addition of operating subsidiaries, new personnel may be required in all areas of our operations to continue to implement our post-acquisition business plan. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. For us to continue to manage such growth, we must put in place legal and accounting systems and implement human resource management and other tools. We have taken preliminary steps to put this structure in place. However, there is no assurance that we will be able to successfully manage this anticipated rapid growth. A failure to manage our growth effectively could materially and adversely affect our profitability.

Increasing competition within our industry could have an impact on our business prospects.

The IoT market is a growing industry where new competitors are entering the market frequently. These competing companies may have significantly greater financial and other resources than we have and may have been developing their products and services longer than we have been developing ours. Although our portfolio of products and related revenue stream sources are broad, increasing competition may have a negative impact on our profit margins.

The success of our smart home installation business will depend upon the efforts of management of our subsidiary AVX.

We can offer no assurance that we will be able to retain or effectively recruit new additional personnel. The departure of any key members of AVX's management team could make it more difficult to operate AVX. Moreover, to the extent that we will rely upon their management team to operate AVX, we will be subject to risks regarding their managerial competence. Accordingly, we cannot assure you that our assessment of these individuals will prove to be correct and that they will have the skills, abilities, and qualifications we expect.

If we are unable to integrate the Ubiquitor device into the smart home installation business, we may not be able to distinguish ourselves in the segment and that could negatively affect our ability to operate in the competitive smart home installation industry.

The smart home installation business is a highly competitive market, and we have numerous competitors who are already well-established in the market. We expect our competitors to continue improving the design and performance of their products and to introduce new products that could be competitive in both price and performance. The reason we believe that we could become competitive in this market segment is because we anticipate integrating the Ubiquitor device into AVX's smart home installations. However, there is no guarantee that we can integrate the Ubiquitor device into AVX's smart home installations. If we are unable to integrate the Ubiquitor device into smart home installations, we will not be able to achieve the competitive price and performance we anticipate achieving success in AVX's future smart home installations. Alternatively, we may not be able to achieve a smart home installation at a cost-effective price that is sufficient to distinguish us from amongst the competition in this market segment.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY RISK MANAGEMENT, STRATEGY AND GOVERNANCE

Risk Management and Strategy

We have implemented a cybersecurity process that is designed to assess, identify, manage and govern material risks from cybersecurity threats and requires a firewall for outside connections. We operate a closed server in a locked room and regularly examine cybersecurity threats that could compromise our information system's security or data and otherwise maintain our cybersecurity policies and procedures in accordance with industry standard control frameworks and applicable regulations, laws, and standards.

We regularly check and improve our security measures and educate our employees about such measures with the help of our information technology (IT) team. Key personnel are made aware of our cybersecurity process through trainings.

We do not engage third party professionals or disclose our internal security measures to private parties.

We have never experienced a cybersecurity incident that was determined to be material, although, like many technology-dependent companies operating in the current environment, we have experienced cybersecurity incidents in the past. For additional information regarding whether any risks from cybersecurity threats are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, please see the section titled "[Risk Factors](#)."

Governance

One of the key functions of our board of directors, in connection with our IT team, is informed oversight of our risk management process, which includes risks from cybersecurity threats. Our board of directors monitors and assesses strategic risk exposure, and our executive officers manage the material risks we face.

Our Vice President of Operations, who has over 30 years of experience in IT and marketing, works with our board of directors to manage our cybersecurity policies and processes, including those described in the "Risk Management and Strategy" section above. Together, they stay informed and manage how we identify, address, prevent and resolve cybersecurity issues and related matters. They also track how we prevent, identify, lessen, and address cybersecurity issues. This is done through regular checks of our systems, tests to identify security weaknesses, and maintaining an incident response plan.

In addition to such regular system checks, our Vice President of Operations, together with the board, regularly discuss active, emerging and potential cybersecurity risks. They keep each other informed about significant changes affecting cybersecurity, and they periodically update management with these changes, as well as our cybersecurity risks, so that management can administer its oversight function as a part of its broader oversight and risk management.

Item 2. PROPERTIES

In September 2018, we purchased a manufacturing warehouse and office space addressed at 2311 East Locust Court, Ontario, CA, 91761. The property consists of an industrial type, two-story building, with a total building area of 30,740 square feet. Ten thousand square feet will be utilized for office space; and 20,000 square feet for warehouse space. The property includes 58 parking spaces. The purchase price for the property was approximately \$4.62 million dollars.

Item 3. LEGAL PROCEEDINGS

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the Company, et al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. In response to the Complaint, defendants filed a motion to compel arbitration asking the court to order Plaintiff to submit his claims to binding individual arbitration based on an arbitration agreement signed by Plaintiff at the outset of his employment. The motion was unfortunately denied, and in response, defendants filed an appeal. The appeal was also denied. Trial for this matter is not set, nor has discovery been conducted. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

On or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. We have completed written discovery and most of the non-expert discovery. Trial is set for October 11, 2023. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

Item 4. MINE SAFETY DISCLOSURES

Not applicable to our Company.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

On August 31, 2021, the Company commenced the trading of its common stock on the Nasdaq Capital Market under the symbol "FCUV." On January 28, 2022, the Company commenced trading of its common stock on the Nasdaq Global Market under the symbol "FCUV." On April 1, 2024, the last reported sale price of our common stock as reported on the Nasdaq Global Market was \$0.40 per share.

On September 23, 2014, our common stock was verified for trading on the OTCQB Market under the trading symbol "FCUV." Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low intra-day sales price per share for our common stock on the Nasdaq Capital Market (as applicable) for the four quarters of 2022 and 2023. As of April 1, 2024, our common stock trades upon the Nasdaq Global Market.

	High	Low
2022: First Quarter	\$ 9.45	\$ 4.12
2022: Second Quarter	\$ 9.72	\$ 6.67
2022: Third Quarter	\$ 10.95	\$ 6.25
2022: Fourth Quarter	\$ 8.99	\$ 3.93
2023: First Quarter	\$ 4.71	\$ 2.37
2023: Second Quarter	\$ 2.46	\$ 1.45
2023: Third Quarter	\$ 1.97	\$ 1.5
2023: Fourth Quarter	\$ 2.17	\$ 1.37

Holders.

As of April 1, 2024, there were 361 record holders of 64,771,817 shares of the Company's common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of our common stock is VStock Transfer, LLC.

Dividends.

The Company has not paid any cash dividends to date and does not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business. However, we cannot provide any assurance that we will or will not declare or pay cash dividends on our common stock. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our Board of Directors may deem relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

On December 15, 2018, our Board of Directors presented the 2018 Equity Incentive Plan to the shareholders. On December 17, 2018, the holders of 63.051% of our issued and outstanding shares of common stock adopted a resolution by written consent without a meeting adopting the 2018 Equity Incentive Plan. The plan reserves an aggregate of 1,000,000 shares of the Company's common stock, which provides for the payment of various forms of incentive compensation to employees, consultants, executives, and directors of the Company. The 2018 Equity Incentive Plan provides for the grant of the following types of stock awards: (i) incentive stock options; (ii) non-statutory stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock unit awards; and (vi) other stock awards. Under the 2018 Equity Incentive Plan, a ten percent stockholder will not be granted an incentive stock option unless the exercise price of such option is at least one hundred and ten percent of the fair market value on the date of grant and the option is not exercisable after the expiration of five years from the grant date. The Board of Directors determines the vesting schedule of the grants with broad discretion. On August 6, 2019, each member of the Board was granted 45,000 options to purchase shares at \$3.80 per share. On December 11, 2020, each member of the Board was granted 22,500 options to purchase shares at \$2.00 per share. On December 31, 2021, each member of the Board was granted 22,500 options to purchase shares at \$5.91 per share. On December 30, 2022, each member of the Board was granted 22,500 options to purchase shares at \$4.27 per share.

Recent sales of unregistered securities.

None.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the years ended December 31, 2021, 2020, 2019, 2018, 2017, the nine months ended December 31, 2016, the year ended March 31, 2016, 2015, 2014 or the period from December 4, 2012 (inception) to March 31, 2013.

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward-looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties, and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or our behalf. We disclaim any obligation to update forward-looking statements.

Focus Universal Inc., a Nevada corporation (the "Company," "we," "us," or "our"), has developed the five proprietary platform technologies described in the Business Section, starting on page 1. These are: (1) device on a chip; (2) universal smart instrumentation platform ("USIP"); (3) ultra-narrowband technology; (4) ultra-narrowband power line communication ("PLC") technology; and (5) natural integrated programming language ("NIPL").

Our main sources of revenue are derived from our sales of sensor devices and our wholesaling 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 manufacturers in China and then sell them to a major U.S. distributor, Hydrofarm, who resells our products directly to consumers through its established retail distribution channels and, in some cases, places its own branding on our products. For the year ended December 31, 2021, our primary source of revenue was from sales of these agricultural sensors and measurement equipment sold through Hydrofarm. Hydrofarm was not our primary source of revenue for the year ended December 31, 2023.

While currently, we do not believe that inflation will play a large role and have a large affect on our current business, as our business grows, inflation may play a larger role as our need to procure supplies increases and our borrowing requirements increase as well. As we begin to diversify away from both one single sector and one single large customer, we also believe that market volatility in any single sector is also diminished significantly. We believe this should have a stabilizing affect on revenues. However, as our new products begin to reach maturation and completion in development, we do believe supply chain risk as our company needs for consistently procuring reliable inputs increases. We also believe this may hold the largest risk factor for cash flow as production increases. For a greater description of our technologies, our business segments and the products we are currently selling, see “Part I – Item 1. Business” above.

Ubiquitor Wireless Universal Sensor Device

Our USIP technology 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). 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 result of such integration is a smaller, cheaper, and faster circuit system design than those currently offered in the instrumentation market.

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.

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 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 or no knowledge of their unique specifications. The data readout is displayed on the computer or mobile device display. 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. Our developers are designing and implementing a soft control touch screen interface that supports real-time data monitoring and facilitates instrument control and operation.

The Company continues to devote a substantial number of resources to research and development despite a slight decrease to the overall number year over year 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 several new employees in order to gain traction in the market. We intend to introduce the Ubiquitor in smart home and commercial 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, moisture, and other measurable scientific units required to create optimal growing conditions.

We have completed an initial production run of prototype Ubiquitor devices and intend to proceed into full-scale production. The Ubiquitor’s sensor analytics system integrates event-monitoring, storage and analytics software in a cohesive package that provides a holistic view of the sensor data it is reading.

For a description of the physical hardware, see illustrations in “Figures 5-10 in Part I - Item 1. Business Section 5. “Developing a universal smart instrumentation platform (“USIP”)” above.

We believe the Ubiquitor device can connect up to thousands of potential sensor nodes integrate data using embedded software to display the data and all analytics onto a digital screen (desktop, smartphone or mobile device displays) using a wired or 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 is a general platform that collects data in real time and is intended to be adapted to many industrial uses.

Also, we plan to design a full line of products for the gardening industry by integrating the Ubiquitor device into a gardening system. The system would include the Ubiquitor connected to a light control node, temperature sensor, humidity sensor, digital light sensor, quantum PAR sensor, pH sensor, total dissolved solids (“TDS”) sensor and carbon dioxide sensor. We believe the combination of the Ubiquitor with these sensors would offer the same features as a combination of dozens or even hundreds of different standalone instruments in the gardening industry. The Ubiquitor-powered gardening system would be used to replace these standalone devices and could offer another case study of the effectiveness of the application of universal smart technology to such systems.

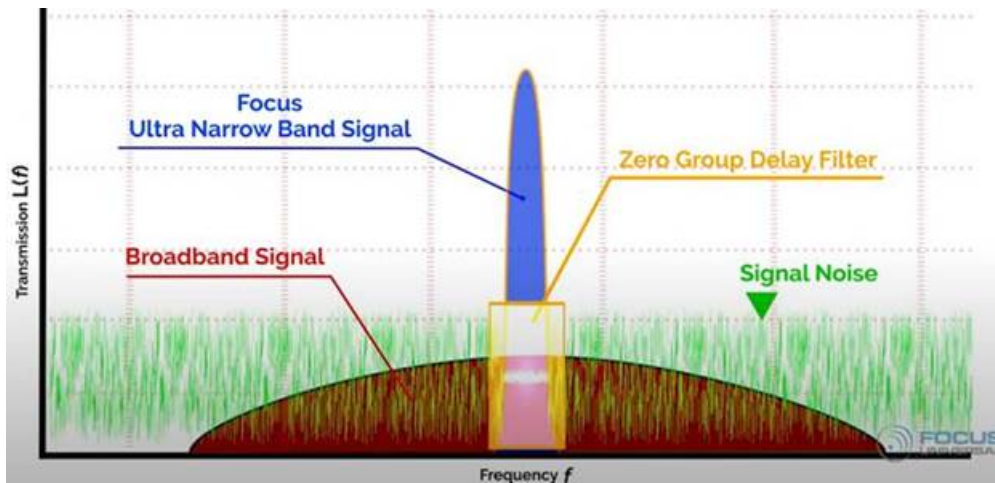
Research and Development Efforts of Power Line Communication

Power Line Communication (“PLC”) 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 penetrates most residential, commercial, and industrial premises. Accordingly, connectivity via PLC is a cost-effective and scalable interconnectivity approach for the IoT. We believe PLC 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 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.

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 and have set an intended launch date for 2023.



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.

On December 23, 2021, Focus Universal (Shenzhen) Technology Co. LTD was founded as a mainland China office for manufacturing procurement expertise and support research and development activities. Focus Universal (Shenzhen) Technology Co. LTD is designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region and as a lower cost form of support research and development as engineers are more plentiful in the region. This last quarter of 2022, this office has continued to grow to double digit headcount and has also begun to handle other online and simple phone marketing and marketing materials production activities, provided a cost and quality benefit exists at the time.

Research and Development Efforts of 5G Cellular Technology

Just like our ultra-narrowband technology can be used to 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 we believe 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” above.

Intellectual Property Protection

On November 4, 2016, we filed a U.S. patent application number 15/344,041 with the 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 the spectral response curve of a photo sensor. The small and cost-effective multicolor sensor and its related software protected by the potential patent we believe could achieve a spectral response that approximates an ideal photo response to measure optical measurement. The patent was issued on February 26, 2019.

On November 29, 2019, the Company filed an international utility patent application filed through the patent cooperation treaty as application PCT/US2019/63880. In April 2020, the Company was notified that it received a favorable international search report from the International Searching Authority regarding this patent application, which patents the Company’s PLC technology. The World International Property Organization report 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 the patent covering the claims for its PLC technology will be issued in due course and will allow the Company to implement strong protections on the PLC technology worldwide.

On May 19, 2021, we filed thirteen provisional patent applications with the USPTO that we had been researching and developing for years encompassing a broad spectrum of technology areas including sensor technology, wired and wireless communications, power line communications, computer security, software solutions, interconnected technological communications, smart home systems and methods for both home and hydroponic areas, dynamic password cipher, local file security, payment card security, infrared sensor, and a method and apparatus for high data rate transmission.

In the fourth quarter of 2021, we hired the law firm of Knobbe Martens, Olson & Bear, LLP based in Orange County, CA to serve as outside intellectual property counsel for the Company. The firm is working on transferring the Company's provisional patent applications to formal patent applications in addition to filing new provisional patents. In 2021, we filed 14 patents. We filed 18 domestic patents in 2022 (plus two international patents in 2022), and so far have filed 3 patents in 2023.

In addition, the Company's patent number 11,488,468 was allowed and subsequently issued on November 1, 2022. The patent, titled Sensor for Detecting the Proximity of an IEEE 802.11 Protocol Connectable Device.

Competitors

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

Hach developed and launched the SC1000 Multi-parameter Universal Controller, a probe module for connecting a maximum to 32 digital sensors or analyzers. However, we believe their current price points are still cost 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 also may 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, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering a substantially lower price. An installation by Crestron ranges between \$20,000 and \$100,000 and by Control4 between \$20,000 and \$40,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$5,000 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.

Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. The global industrial air filtration market was valued at \$23.83 billion by 2029 and analysts expect it to register a CAGR of 7.2% because of the industrial need to control air quality across a range of industries.^[22] 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.

[22] Fortune, The global air filters market is projected to grow from \$14.68 billion in 2022 to \$23.83 billion by 2029, exhibiting a CAGR of 7.2% in forecast period, 2022-2029, <https://www.fortunebusinessinsights.com/industry-reports/air-filters-market-101676>, (last accessed March 7, 2023)

Market Potential

We believe universal wireless smart technology will play a critical role for traditional instrument manufacturers, as currently simply the undertaking of an IoT project is too expensive and difficult to develop for medium or smaller companies and carries 75% failure rate according to Cisco Systems^[23]. 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 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^[24]. More specifically, the IoT sensors market is projected to reach \$26 Billion by 2026 from \$11.1 Billion in 2022^[25]. 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^[26]. 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 IoT Installation Services segment to bolster and complement our AVX Design and Integration and all other related installation businesses of these IoT products. While statistics regarding the IoT installation sectors are difficult to aggregate given that the work is often pieced off into various contractor service categories, the residential custom installation market ranges from \$5.7B to \$12.1B^[27], and we would expect the commercial and industrial installation markets to be larger than the residential for IoT devices.

Financial Reporting Software

We have launched a beta version of our new SEC financial reporting automation software and are testing this new software product so that we can obtain marketing data and feedback to our development team.

[23] Cisco Systems, Connected Futures, Executive Business Insights, May 2017, The Journey to IOT Value, Challenges, Breakthroughs, and Best Practices, <https://www.slideshare.net/CiscoBusinessInsights/journey-to-iot-value-76163389>, <https://newsroom.cisco.com/c/r/newsroom/en/us/ay2017/m05/cisco-survey-reveals-close-to-three-fourths-of-iot-projects-are-failing.html>

[24] IoT Analytics, Market Insights for the Internet of 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/>

[25] 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>

[26] 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>

[27] CEPro. How Big is the Custom Installation Market?, February 5, 2018, https://www.cepro.com/news/how_big_is_custom_installation_market/

Results of Operations

For the year ended December 31, 2023 compared to the year ended December 31, 2022

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.

	Year Ended December 31, 2023			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 281,117	\$ 705,538	\$ 986,655
Revenue - related party	–	28,375	37,168	65,543
Total revenue	\$ –	\$ 309,492	\$ 742,706	\$ 1,052,198

	Year Ended December 31, 2022			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 51,302	\$ 252,535	\$ 303,837
Revenue - related party	–	41,536	8,246	49,782
Total revenue	\$ –	\$ 92,838	\$ 260,781	\$ 353,619

Revenue, cost of revenue and gross profit

	For the year ended December 31, 2023	For the year ended December 31, 2022	Increase (Decrease) \$
Revenue	\$ 986,655	\$ 303,837	\$ 682,818
Revenue – related party	65,543	49,782	15,761
Total Revenue	1,052,198	353,619	698,579
Cost of revenue	958,413	330,899	627,514
Gross Profit	\$ 93,785	\$ 22,720	\$ 71,065

Our consolidated gross revenue for the years ended December 31, 2023 and 2022 was \$1,052,198 and \$353,619, respectively, which included revenue from related parties of \$65,543 and \$49,782, respectively. Revenue for the year ended December 31, 2023 increased \$698,579 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 year ended December 31, 2023 was \$958,413, compared to \$330,899 for the year ended December 31, 2022. While the overall cost of revenue increased, as a percent of revenue, costs went down because of higher margin contracts for IoT Installation Services being signed. In addition to the increase in revenue, gross profit increased to \$93,785 for the year ended December 31, 2023, compared to \$22,720 for the year ended December 31, 2022.

Operating Expenses

The major components of our operating expenses for the years ended December 31, 2023 and 2022 are outlined in the table below:

	For the year ended December 31, 2023	For the year ended December 31, 2022	Increase (Decrease) \$
Selling expense	\$ 140,994	\$ 142,372	\$ (1,378)
Compensation – officers and directors	1,082,775	1,055,133	27,642
Research and development	1,386,810	1,060,385	326,425
Professional fees	705,234	896,385	(191,151)
General and administrative	1,740,779	2,074,091	(333,312)
Total operating expenses	<u>\$ 5,056,592</u>	<u>\$ 5,228,366</u>	<u>\$ (171,774)</u>

Selling expense for the year ended December 31, 2023 was \$140,994, compared to \$142,372 for the year ended December 31, 2022. Selling expense incurred was mainly from third party advertising fees. The decrease of selling expense was due to a decrease in advertising fees and trade show expenses.

Compensation – officers and directors were \$1,082,775 and \$1,055,133 for the years ended December 31, 2023 and 2022, respectively. The increase was due to increase in directors' stock-based compensation - options.

Research and development costs were \$1,386,810 and \$1,060,385 for the years ended December 31, 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 \$705,234 during the year ended December 31, 2023 compared to \$896,385 during the year ended December 31, 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 year ended December 31, 2023 was \$1,740,779, compared to \$2,074,091 for the year ended December 31, 2022. The relating decrease was due to the following reasons:

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

Other Income (expense)

Other income of \$244,665 incurred during the year ended December 31, 2023, primarily consisted of interest income of \$38,339, interest expense – related party of \$38,333, unrealized gain on marketable equity securities of \$8,033, realized loss on marketable equity securities of \$2,002, rental income of \$160,910 and other income of \$77,718. Other income of \$278,709 incurred during the year ended December 31, 2022, primarily consisted of interest income of \$3,887, forgiveness of debt of \$158,547, unrealized loss on marketable equity securities of \$42,395, realized loss on marketable equity securities of \$21,205, rental income of \$166,288 and other income of \$13,587.

Net Losses

During the years ended December 31, 2023, and 2022, we incurred net losses of \$4,718,142 and \$4,926,937 respectively, due to the factors discussed above.

Liquidity and Capital Resources

Working Capital

	December 31, 2023	December 31, 2022
Current Assets	\$ 1,028,278	\$ 4,807,830
Current Liabilities	(1,657,646)	(1,387,239)
Working Capital	<u>\$ (629,368)</u>	<u>\$ 3,420,591</u>

Cash Flows

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net cash used in operating activities	\$ (3,528,762)	\$ (2,957,983)
Net cash provided by (used in) investing activities	54,146	(211,257)
Net cash used in financing activities	(434,048)	(1,158,547)
Effect of exchange rate	(6,508)	(7,452)
Net change in cash	<u>\$ (3,915,172)</u>	<u>\$ (4,335,239)</u>

Cash Flows from Operating Activities

Our net cash outflows from operating activities of \$3,528,762 for the year ended December 31, 2023, was primarily the result of our net loss of \$4,718,142 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 \$112,716, decrease in accounts receivable – related party of \$34,507, increase in inventory of \$178,299, increase in other receivable of \$20,519, decrease in prepaid expenses of \$45,602, decrease in deposits of \$8,336, decrease in operating lease right-of-use asset of \$325,329, increase in accounts payable and accrued liabilities of \$215,531, increase in other current liabilities of \$78,455, and decrease in lease liabilities of \$342,732. Non-cash expense included add-backs of \$26,631 in bad debt expense, \$167,983 in depreciation expense, \$8,033 in unrealized gain on marketable equity securities, \$2,002 in realized loss on marketable equity securities, \$431,813 in stock-based compensation – shares, and \$515,490 in stock-based compensation – options.

Our net cash outflows from operating activities of \$2,957,983 for the year ended December 31, 2022, was primarily the result of our net loss of \$4,926,937 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 \$37,335, increase in accounts receivable – related party of \$19,331, increase in inventory of \$53,684, decrease in other receivable of \$13,057, decrease in prepaid expenses of \$158,474, decrease in deposits of \$4,035, decrease in operating lease right-of-use asset of \$139,754, decrease in accounts payable and accrued liabilities of \$21,722, decrease in other current liabilities of \$17,135, decrease in lease liabilities of \$117,245, and increase in other liabilities of \$12,064. Non-cash expense included add-backs of \$136,337 in bad debt expense, \$166,266 in depreciation expense, \$42,395 in unrealized loss on marketable equity securities, \$21,205 in realized loss on marketable equity securities, \$719,975 in stock-based compensation – shares, \$849,043 in stock-based compensation - options, and reduction in inventory fair value net realizable of \$27,199.

We expect that cash flows from operating activities may fluctuate in future periods because 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

For the year ended December 31, 2023, we had cash inflow from investing activities of \$54,146. That was primarily the result from the purchase of property and equipment of \$20,620, purchase of marketable securities of \$43,644 and proceeds from sales of marketable securities of \$118,410. For the year ended December 31, 2022, we had cash outflow from investing activities of \$211,257. That was primarily the result from the purchase of property and equipment of \$42,187, purchase of marketable securities of \$768,949 and proceeds from sales of marketable securities of \$599,879.

Cash Flows from Financing Activities

For the year ended December 31, 2023, cash outflows from financing activities of \$434,048. That was primarily the result from related party loan of \$1,000,000, and purchases of treasury stock of \$1,434,048. For the year ended December 31, 2022, cash outflows from financing activities of \$1,158,547. That was primarily the result from purchase of treasury stock of \$1,000,000 and forgiveness of debt of \$158,547.

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 financial statements. The Company has a net loss of \$4,718,142 and \$4,926,937 for the years ended December 31, 2023 and 2022, respectively. In addition, the Company had an accumulated deficit of \$22,582,170 and \$17,864,028 as of December 31, 2023 and 2022, respectively, and negative cash flow from operating activities of \$3,528,762 and \$2,957,983 for the years ended December 31, 2023 and 2022, 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 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 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.

At December 31, 2023, the Company had cash and cash equivalents, and short-term investments, in the amount of \$464,989. 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 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 continue to rely on these sources of capital in the future. In addition, subsequent to year end, the Company has entered into an agreement to sell its Land and Buildings which upon completion, will provide additional 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.

Related Party Loan

On August 3, 2023, the Company submitted a written consent, and the Board approved a loan amount between \$1 million and \$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. The interest expense amount was \$38,333 for the year ended December 31, 2023. There was no accrued interest as of December 31, 2023, and the total principal outstanding loan amount was \$1,000,000 as of December 31, 2023. As a note, the interest rate increases to 15% as of the due date of loan on any unpaid principal balance outstanding.

Off-Balance Sheet Arrangements

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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FOCUS UNIVERSAL INC. AND SUBSIDIARY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Index to the Financial Statements

<u>Contents</u>	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u> (PCAOB No. 572)	F-2
<u>Report of Independent Registered Public Accounting Firm</u> (PCAOB No. 6906)	F-4
<u>Consolidated Balance Sheets as of December 31, 2023 and 2022</u>	F-5
<u>Consolidated Statements of Operations for the Years Ended December 31, 2023 and 2022</u>	F-6
<u>Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2023 and 2022</u>	F-7
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2023 and 2022</u>	F-8
<u>Notes to the Consolidated Financial Statements</u>	F-9

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Focus Universal Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Focus Universal Inc. and Subsidiaries (the “Company”) as of December 31, 2023, and the related statements of operations, stockholders’ equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has experienced negative cash flows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition — identification of contractual terms in certain customer arrangements

As described in Note 2 to the consolidated financial statements, management applies FASB Topic 606, Revenue from Contracts with Customers (“ASC 606”) to recognize revenue. Management recognizes revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company’s revenue is divided into two sources, with one source being from project construction which is recognized over time using the percentage-of-completion method under the cost approach. Management is required to estimate the percentage of completion when determining the amount and timing of revenue recognition.

The principal considerations for our determination that performing procedures over the percentage-of-completion method of recognition of revenue contracts and subsequent payment collections is a critical audit matter as there are more significant risks associated with the percentage-of completion recognition of this revenue. This in turn led to significant effort in performing our audit procedures which were designed to evaluate whether the contractual terms, the timing of revenue recognition were appropriately identified and determined by management and to evaluate the reasonableness of management’s estimates.

Our audit procedures included, among others, understanding the process relating to management’s revenue recognition process, examining transaction related documents, testing of calculated percentage of completion of recorded revenue, and testing of receivables at balance sheet date including testing of subsequent collections.

We have served as the Company’s auditor since 2023.

Weinberg & Company, P.A.

April 1, 2024

Los Angeles, CA.

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Focus Universal, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Focus Universal, Inc. (the “Company”) as of December 31, 2022 the related consolidated statement of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition — identification of contractual terms in certain customer arrangements

As described in Note 2 to the consolidated financial statements, management applies FASB Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) to recognize revenue. Management recognizes revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company’s revenue is divided into two sources, with one source being from project construction which is recognized over time using the percentage-of-completion method under the cost approach. Management is required to estimate the percentage of completion when determining the amount and timing of revenue recognition.

The principal considerations for our determination that performing procedures over the percentage-of-completion method of recognition of revenue contracts and subsequent payment collections is a critical audit matter as there are more significant risks associated with the percentage-of completion recognition of this revenue. This in turn led to significant effort in performing our audit procedures which were designed to evaluate whether the contractual terms, the timing of revenue recognition were appropriately identified and determined by management and to evaluate the reasonableness of management’s estimates.

Our audit procedures included, among others, understanding of controls relating to management’s revenue recognition process, examining transaction related documents, confirming revenues and outstanding receivables at the balance sheet date with a sample of the project construction customers, and testing collections subsequent to the balance sheet date.

/s/ Reliant CPA PC

Reliant CPA PC

We have served as the Company’s auditor since 2023

Newport Beach, CA

March 31, 2023

**FOCUS UNIVERSAL INC.
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Current Assets:		
Cash	\$ 428,254	\$ 4,343,426
Accounts receivable, net	164,398	78,313
Accounts receivable – related party	–	34,507
Inventories	282,071	103,772
Other receivables	20,519	–
Prepaid expenses	96,301	142,342
Marketable securities	36,735	105,470
Total Current Assets	<u>1,028,278</u>	<u>4,807,830</u>
Property and equipment, net	4,080,663	4,228,630
Operating lease right-of-use asset	201,048	253,336
Deposits	24,135	33,264
Total Assets	<u>\$ 5,334,124</u>	<u>\$ 9,323,060</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 482,523	\$ 267,685
Treasury stock payable	–	1,000,000
Related party loan	1,000,000	–
Other current liabilities	84,951	6,496
Lease liability, current portion	90,172	113,058
Total Current Liabilities	<u>1,657,646</u>	<u>1,387,239</u>
Non-Current Liabilities:		
Lease liability, less current portion	118,517	165,952
Other liability	12,335	12,335
Total Non-Current Liabilities	<u>130,852</u>	<u>178,287</u>
Total Liabilities	<u>1,788,498</u>	<u>1,565,526</u>
Contingencies (Note 12)	–	–
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 December 31, 2023 and 2022, respectively	64,771	65,297
Treasury stock (1,163,040 and 600,000 shares held at December 31, 2023 and 2022, respectively)	(434,048)	(2,000,000)
Additional paid-in capital	26,436,161	27,514,733
Shares to be issued, common shares (41,643 and 16,875 shares at December 31, 2023 and 2022, respectively)	74,476	48,075
Accumulated deficit	(22,582,170)	(17,864,028)
Accumulated other comprehensive loss	(13,564)	(6,543)
Total Stockholders' Equity	<u>3,545,626</u>	<u>7,757,534</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,334,124</u>	<u>\$ 9,323,060</u>

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

FOCUS UNIVERSAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2023	2022
Revenue	\$ 986,655	\$ 303,837
Revenue - related party	65,543	49,782
Total Revenue	<u>1,052,198</u>	<u>353,619</u>
Cost of revenue	<u>958,413</u>	<u>330,899</u>
Gross Profit	93,785	22,720
Operating Expenses		
Selling expense	140,994	142,372
Compensation - officers and directors	1,082,775	1,055,133
Research and development	1,386,810	1,060,385
Professional fees	705,234	896,385
General and administrative	1,740,779	2,074,091
Total Operating Expense	<u>5,056,592</u>	<u>5,228,366</u>
Loss from Operations	(4,962,807)	(5,205,646)
Other Income (Expense):		
Interest income, net	38,339	3,887
Interest expense - related party	(38,333)	-
Forgiveness of debt	-	158,547
Unrealized gain (loss) on marketable equity securities	8,033	(42,395)
Realized loss on marketable equity securities	(2,002)	(21,205)
Rental income	160,910	166,288
Other income	77,718	13,587
Total other income	<u>244,665</u>	<u>278,709</u>
Net Loss	<u>\$ (4,718,142)</u>	<u>\$ (4,926,937)</u>
Other comprehensive items		
Foreign currency translation loss	<u>(7,021)</u>	<u>(6,539)</u>
Total comprehensive loss	<u>\$ (4,725,163)</u>	<u>\$ (4,933,476)</u>
Weight Average Number of Common Shares Outstanding: Basic and Diluted	<u>60,314,871</u>	<u>65,119,620</u>
Net Loss per common share: Basic and Diluted	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>

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

FOCUS UNIVERSAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

Description	Common stock		Treasury stock	Additional Paid-In	Shares to be issued Common	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Amount	Capital	Shares	Deficit	Loss	Stockholders' Equity
Balance - December 31, 2021*	64,889,612	\$ 64,890	\$ -	\$ 24,071,444	\$ 1,922,753	\$ (12,937,091)	\$ (4)	\$ 13,121,992
Stock based compensation - options	82,347	82	-	848,961	-	-	-	849,043
Stock based compensation - shares	93,750	94	-	663,806	48,075	-	-	711,975
Purchase of treasury stock	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Common stock issued for this period services	1,346	1	-	7,999	-	-	-	8,000
Common stock issued for prior services	47,604	48	-	146,661	(146,709)	-	-	-
Shares issued for cashless exercise of warrants	181,724	182	-	1,775,862	(1,776,044)	-	-	-
Other comprehensive loss	-	-	-	-	-	-	(6,539)	(6,539)
Net loss	-	-	-	-	-	(4,926,937)	-	(4,926,937)
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	-	-	-	515,490	-	-	-	515,490
Stock based compensation - cashless exercise option	10,857	10	-	(10)	-	-	-	-
Stock based compensation - shares	62,250	62	-	405,350	26,401	-	-	431,813
Purchase of treasury stock	-	-	(469,048)	-	-	-	-	(469,048)
Retirement of treasury stock	(600,000)	(600)	2,000,000	(1,999,400)	-	-	-	-
Amendment stock purchase agreement - treasury stock	-	-	35,000	-	-	-	-	35,000
Issued stock dividend	2,327	2	-	(2)	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	(7,021)	(7,021)
Net loss	-	-	-	-	-	(4,718,142)	-	(4,718,142)
Balance - December 31, 2023	64,771,817	\$ 64,771	\$ (434,048)	\$ 26,436,161	\$ 74,476	\$ (22,582,170)	\$ (13,564)	\$ 3,545,626

*Retroactively applied to the stock split

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

FOCUS UNIVERSAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net Loss	\$ (4,718,142)	\$ (4,926,937)
Adjustments to reconcile net loss to net cash from operating activities:		
Bad debt expense	26,631	136,337
Inventories fair value net realizable	–	(27,199)
Depreciation expense	167,983	166,266
Unrealized (gain) or loss on marketable equity securities	(8,033)	42,395
Realized loss on marketable equity securities	2,002	21,205
Stock-based compensation - shares	431,813	719,975
Stock based compensation - options	515,490	849,043
Changes in operating assets and liabilities:		
Accounts receivable	(112,716)	(37,335)
Accounts receivable - related party	34,507	(19,331)
Inventories	(178,299)	(53,684)
Other receivable	(20,519)	13,057
Prepaid expenses	45,602	158,474
Deposit	8,336	4,035
Operating lease right-of-use asset	325,329	139,754
Accounts payable and accrued liabilities	215,531	(21,722)
Other current liabilities	78,455	(17,135)
Lease liabilities	(342,732)	(117,245)
Other liabilities	–	12,064
Net cash flows used in operating activities	<u>(3,528,762)</u>	<u>(2,957,983)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(20,620)	(42,187)
Purchase of marketable securities	(43,644)	(768,949)
Proceeds from sales of marketable securities	118,410	599,879
Net cash flows provided by (used in) investing activities	<u>54,146</u>	<u>(211,257)</u>
Cash flows from financing activities:		
Proceeds from related party loan	1,000,000	–
Forgiveness of debt	–	(158,547)
Purchase of treasury stock	(1,434,048)	(1,000,000)
Net cash flows used in financing activities	<u>(434,048)</u>	<u>(1,158,547)</u>
Effect of exchange rate	<u>(6,508)</u>	<u>(7,452)</u>
Net change in cash	(3,915,172)	(4,335,239)
Cash beginning of year	<u>4,343,426</u>	<u>8,678,665</u>
Cash end of year	<u>\$ 428,254</u>	<u>\$ 4,343,426</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes	<u>\$ –</u>	<u>\$ –</u>
Cash paid for interest	<u>\$ 13,142</u>	<u>\$ 12,164</u>
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 273,041</u>	<u>\$ –</u>
Cashless exercise of options	<u>\$ 41,401</u>	<u>\$ –</u>

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

FOCUS UNIVERSAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 – Organization and Operations

Focus Universal Inc. (“Focus”) was incorporated under the laws of the State of Nevada on December 4, 2012 (“Inception”). 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 five disruptive patented technology platforms with 26 patents and patents pending in various phases and 8 trademarks pending in various phases to solve the major problems facing hardware and software design and production within the industry today. These technologies combined to have the potential to reduce costs, product development timelines and energy usage while increasing range, speed, efficiency, and security. The smartphone or other mobile device, foundation, and sensor readouts together perform the functions of many traditional scientific and engineering instruments and are intended to replace the traditional, wired stand-alone instruments at a fraction of their cost.

The company has multiple subsidiary units, including Perfecular Inc. (“Perfecular”), AVX Design and Integration Inc. (“AVX,” also doing business as Smart AVX (“Smart AVX”)), Focus Universal (Shenzhen) Technology Company LTD (“Focus Shenzhen”), Lusher Bioscientific, Inc. (“Lusher”), and AT Tech Systems LLC (“AT Tech LLC”). Perfecular Inc. a wholly owned subsidiary of Focus, was founded in September 2009 and is headquartered in Ontario, 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. AVX, incorporated on June 16, 2000 in the state of California, is an internet of 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, 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 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 and as a lower cost form of support research and development as engineers are more plentiful in the region.

On January 5, 2022, the Company founded a wholly owned subsidiary named Lusher Bioscientific, Inc. Lusher Bioscientific was founded to market to the hydroponic and controlled agriculture market and to assist in the product development of IoT technology products within this sector. As of the date of this filing, Lusher’s activities are in the introductory phase.

As of January 6, 2023, AT Tech Systems is a subsidiary of Focus specializing in commercial and industrial smart IoT install projects in areas throughout the Southern California area. AT Tech Systems has several clients from medical/dental facilities and commercial and industrial projects, including 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 Tejada 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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Perfecular Inc., AVX Design & Integration, Focus Universal (Shenzhen) Technology Co. LTD, and Lusher Bioscientific. All significant intercompany transactions and balances have been eliminated.

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. 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. (2) Perfecular, 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. (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.

Asset information by operating segment is not presented as the chief operating decision maker does not review this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company's consolidated financial statements.

Use of Estimates

The preparation of consolidated 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 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 useful lives of property and equipment, allowance for doubtful accounts, inventory reserves, accruals for potential liabilities, assumptions made in valuing stock instruments issued for services, 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 limit. As of December 31, 2023 and 2022, approximately \$0 and \$3,120,763 of the Company's cash was not insured by the FDIC. There were no cash equivalents held by the Company at December 31, 2023 and 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 90 days of the product sale.

Allowance for 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 December 31, 2023 and 2022, allowance for doubtful accounts amounted to \$249,603 and \$222,972, respectively.

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.

Inventory

Inventory consists primarily of parts 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. Management compares the cost of inventory with its market value and an allowance is made to write down inventory to market value, if lower. Inventory allowances 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 estimated realized value of our inventory is less than cost, we make provisions in order to reduce the carrying value to its estimated market value.

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 and unrealized gains and losses are recorded in other income (expense), net.

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 FASB 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 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 December 31, 2023 and 2022, the Company believes there was no impairment of its long-lived assets.

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. Upon sale, the treasury stock account is reduced by the original acquisition price of the shares and any difference is recorded in additional paid in capital, on a first-in first-out basis. The Company does not recognize a gain or loss to income from the purchase and sale of treasury stock.

Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of 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 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 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). 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 fair value of the warrants is estimated using a Black-Scholes pricing model. The Company does not have any outstanding warrants as of December 31, 2023 and 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 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 unobservable inputs and not corroborated by market data.

The following table summarize financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	December 31, 2023			Carrying Value
	Fair Value			
	Level 1	Level 2	Level 3	
Assets				
Marketable securities:				
Stock	\$ 36,735	\$ –	\$ –	\$ 36,735
Total assets measured at fair value	<u>\$ 36,735</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 36,735</u>

	December 31, 2022			Carrying Value
	Fair Value			
	Level 1	Level 2	Level 3	
Assets				
Marketable securities:				
Stock	\$ 105,470	\$ –	\$ –	\$ 105,470
Total assets measured at fair value	<u>\$ 105,470</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 105,470</u>

The carrying amount of the Company's financial assets and liabilities, such as cash, accounts receivable, inventories, other receivable, prepaid expenses, deposit, accounts and accrued expenses, payable, treasury stock payable, other current liabilities, customer 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. We believe the related party loan approximates its fair value based on interest rate of the loan.

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

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 other comprehensive loss for the years ended December 31, 2023 and 2022 was comprised of foreign currency translation adjustments.

Revenue Recognition

Revenue from the Company is recognized under 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 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 category, is summarized below:

- Product sales – revenue is recognized at the time of sale upon the delivery of the equipment to the customer and completion of performance obligation.
- Service sales – revenue is recognized based on the service 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 account receivable is recorded for amounts invoiced based on actual units produced.

A summary of our revenue by product type for the fiscal years ended December 31, 2023 and 2022 is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
IoT Products	\$ 309,492	\$ 92,838
IoT Project Construction and Installation Services	742,706	260,781
Total	<u>\$ 1,052,198</u>	<u>\$ 353,619</u>

Cost of Revenue, excluding depreciation & amortization

Cost of revenue includes the cost of services, labor and product incurred to provide product sales, service sales and project sales.

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.

Income Tax Provision

The Company accounts for income taxes in accordance with 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 was no material deferred tax asset or liabilities as of December 31, 2023 and 2022.

As of December 31, 2023 and 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 ASC 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 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.

	<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Stock options		513,874	458,424
Total		<u>513,874</u>	<u>458,424</u>

Subsequent Events

The Company follows the guidance in ASC 855-10-50 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, 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.

Foreign Currency Translation and Transactions

The reporting and functional currency of Focus is the USD. The functional currency of Focus Universal (Shenzhen) Technology Co. LTD, a wholly owned subsidiary of Focus located in China, is the Renminbi (“RMB”).

For financial reporting purposes, the financial statements of 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 consolidated statements of operations. The exchange rates used for consolidated financial statements are as follows:

	Average Rate for the Year Ended December 31,			
	2023		2022	
China Yuan (RMB)	RMB	7.0714	RMB	6.7263
United States Dollar (\$)	\$	1.0000	\$	1.0000

	Exchange Rate at			
	December 31, 2023		December 31, 2022	
China Yuan (RMB)	RMB	7.0698	RMB	6.8973
United States Dollar (\$)	\$	1.0000	\$	1.0000

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 financial statements. The Company has a net loss of \$4,718,142 and \$4,926,937 for the years ended December 31, 2023 and 2022, respectively. In addition, the Company had an accumulated deficit of \$22,582,170 and \$17,864,028 as of December 31, 2023 and 2022, respectively, and negative cash flow from operating activities of \$3,528,762 and \$2,957,983 for the years ended December 31, 2023 and 2022, 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 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.

At December 31, 2023, the Company had cash and cash equivalents, and short-term investments, in the amount of \$464,989. 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 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 continue to rely on these sources of capital in the future. In addition, subsequent to year end, the Company has entered into an agreement to sell its Land and Buildings which upon completion, will provide additional 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.

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, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the Securities and Exchange Commission to fiscal years. The Company adopted ASU No. 2016-13 on January 1, 2024 which did not have a material impact on its financial position and results of operations.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to 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 chief operating decision maker and included in each reported measure of 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 provided in interim periods 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 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 does not expect this standard to have a material impact on its results of operations, financial position 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 December 31, 2023 and 2022, inventory consisted of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parts	\$ 1,051	\$ 3,767
Finished goods	281,020	100,005
Inventories	<u>\$ 282,071</u>	<u>\$ 103,772</u>

Note 5 – Property and Equipment

At December 31, 2023 and 2022, property and equipment consisted of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Warehouse	\$ 3,789,773	\$ 3,789,773
Land	731,515	731,515
Building improvement	240,256	240,256
Furniture and fixture	39,223	37,785
Equipment	119,556	101,076
Software	1,995	1,995
Total cost	<u>4,922,318</u>	<u>4,902,400</u>
Less accumulated depreciation	(841,655)	(673,770)
Property and equipment, net	<u>\$ 4,080,663</u>	<u>\$ 4,228,630</u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$167,983 and \$166,266, respectively.

Note 6 – Related Party Transactions

Revenue generated from Vitashower Corp., a company owned by the Chief Executive Officer's wife, amounted to \$0 and \$41,536 for the years ended December 31, 2023 and 2022, respectively. The accounts receivable balance due from Vitashower Corp. amounted to \$0 and \$34,507 as of December 31, 2023 and 2022, respectively.

Service revenue generated from the installation of home security equipment by AT Tech and AVX for one of the Company's directors, amounted to \$65,543 and \$8,246 for the year ended December 31, 2023 and 2022, respectively.

Note 7 – Related Party Loan

On August 3, 2023, the Company submitted a written consent, and the Board approved a loan amount between \$1 million and \$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. The interest expense amount was \$38,333 for the year ended December 31, 2023. There was no accrued interest as of December 31, 2023, and the total principal outstanding loan amount was \$1,000,000 as of December 31, 2023. The interest rate increases to 15% as of the due date of loan on any unpaid principal balance outstanding.

Note 8 – Business Concentration and Risks

Major customers

One customer accounted for 43% of the total accounts receivable as of December 31, 2023, and this customer accounted for 22% of the total revenue as of December 31, 2023.

Four customers accounted for 11% of the total accounts receivable as of December 31, 2022, and those customers accounted for 49% of total revenue for the year ended December 31, 2022.

Major vendors

No major vendor accounted more than 10% of total purchases during the year ended December 31, 2023. One vendor, Tianjin Guanglee, accounted for 65% of total accounts payable as of December 31, 2022; and this vendor accounted for 22% of total purchases during the year ended December 31, 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 9 – Leases

The Company recorded its operating lease cost of \$143,097 and \$209,738 for the years ended December 31, 2023 and 2022, respectively. This is included in general and administrative expenses.

On December 7, 2021, Focus Shenzhen entered into a thirty-eight month commercial lease with a third party for an approximately 5,895 square foot office space. The lease commenced on December 25, 2021 and was scheduled to end on February 28, 2025. The monthly rent was RMB70,097 (approximately \$9,915) 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. This lease was terminated on February 22, 2023.

On January 16, 2023, Focus Shenzhen entered into a thirty-six month commercial lease with a third party for an approximately 2,017 square foot office space. The lease commenced on February 1, 2023 and will end on January 31, 2026. The monthly rent is RMB29,974 (approximately \$4,240) 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.

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 \$4,985) 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 December 31, 2023 and 2022, operating lease right-of-use assets and lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 273,041	\$ 353,074
Amortization	(71,993)	(99,738)
Operating lease right-of-use assets, net	<u>\$ 201,048</u>	<u>\$ 253,336</u>
Lease liabilities, current portion	\$ 90,172	\$ 113,058
Lease liabilities, less current portion	\$ 118,517	\$ 165,952

Lease term and discount rate:

	December 31, 2023	December 31, 2022
Weighted average remaining lease term		
Operating lease	2.08 to 2.25 years	2.17 years
Weighted average discount rate		
Operating lease	10%	10%

The minimum future lease payments are as follows:

	Amount
Year ending December 31, 2024	\$ 104,767
Year ending December 31, 2025	114,641
Year ending December 31, 2026	8,480
Total minimum lease payment	227,888
Less: imputed interest	(19,199)
Present value of future minimum lease payments	\$ 208,689

Note 10 – Stockholders’ Equity

Shares authorized

At 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.

On February 13, 2023, the Company issued 62,250 shares (for consideration of \$357,340, based on their fair value on grant date) to employees based on their Restricted Stock Award Agreements (see Employee stock-based compensation below). As of December 31, 2023, there was unvested amortization of 153,000 shares which will be amortized to expense over the next three years.

On February 21, 2023, the Company issued 10,857 shares 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.

On April 4, 2022, the Company issued 181,724 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 \$4.25. 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 93,750 shares (value 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).

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 year ended December 31, 2023 the Company repurchased 263,040 shares of its common stock for \$464,486 in the public market at average price of \$1.77 and placed them in treasury.

As of December 31, 2023 and 2022, the Company had 1,163,040 and 600,000 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 263,040 shares repurchased during the year ended December 31, 2023.

Employee stock-based compensation

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 fair value of the above employee compensation was \$357,340 as of December 31, 2023.

In November 2021, the Company entered into a one-year employment agreement with the then VP of Finance and Head of Investor Relations of the Company, pursuant to which the Company awarded a 15,000-share bonus consisting of shares of the Company’s common stock, which will be granted in blocks of 3,750 shares for every quarter certain performance metrics are achieved. The share price will be determined based on the closing price as of the last day 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 the term. As of December 31, 2023, 15,000 shares have vested, collectively valued at \$27,862.

In October 2022, the Company entered into an employee agreement with the VP of the Company, pursuant to which the Company awarded a 15,000-share bonus consisting of shares of the Company’s common stock, which will be granted in blocks of 3,750 shares every quarter. As of December 31, 2023, 15,000 shares have vested, collectively valued at \$27,861.

During the year ended December 31, 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 \$18,750 (approximately 11,643 shares) as of December 31, 2023.

During the years ended December 31, 2023 and 2022, the total employee stock-based compensation amount for all employees in the company was \$431,813 and \$711,975, respectively.

Stock options

On December 30, 2022, each member of the Board was granted 22,500 options to purchase shares at \$4.27 per share with a fair value of \$533,611. These shares fully vested during 2023.

As of December 31, 2023, there were 513,874 options granted, 513,874 options vested, 0 options unvested, and 513,874 outstanding stock options.

For the years ended December 31, 2023 and 2022, the Company's stock option compensation expenses amounted to \$515,490 and \$849,043, respectively.

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

	December 31, 2023
Risk-free interest rate	3.99%
Expected life of the options	5.5 years
Expected volatility	132.71%
Expected dividend yield	0%

The following is a summary of options activity from December 31, 2021 to December 31, 2023:

	Number of Options	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2021	630,000	\$ 5.82	8.56	-
Vested at December 31, 2021	472,932	\$ 4.80	8.07	-
Exercisable at December 31, 2021	472,932	\$ 4.80	8.07	-
Granted	157,500	\$ 6.41	-	-
Exercised	(161,250)	\$ 5.46	-	-
Cancelled or forfeited	(11,189)	\$ 8.86	-	-
Outstanding at December 31, 2022	615,061	\$ 5.93	8.04	-
Vested at December 31, 2022	458,424	\$ 5.87	7.58	-
Exercisable at December 31, 2022	458,424	\$ 5.87	7.58	-
Granted	-	\$ -	-	-
Exercised	(78,811)	\$ 3.59	-	-
Cancelled or forfeited	(22,376)	\$ 4.27	-	-
Outstanding at December 31, 2023	513,874	\$ 4.05	7.25	-
Vested as of December 31, 2023	513,874	\$ 4.05	7.25	-
Exercisable at December 31, 2023	513,874	\$ 4.05	7.25	-

Note 11 – Segment reporting

The Company currently has two 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 financial information of each operating segment of the Company for the year ended December 31, 2023:

	Year Ended December 31, 2023			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 281,117	\$ 705,538	\$ 986,655
Revenue - related party	–	28,375	37,168	65,543
Total revenue	<u>–</u>	<u>309,492</u>	<u>742,706</u>	<u>1,052,198</u>
Cost of revenue	–	214,943	743,470	958,413
Gross profit	–	94,549	(764)	93,785
Total operating expense	<u>4,957,244</u>	<u>72,825</u>	<u>26,523</u>	<u>5,056,592</u>
Income (loss) from operations	(4,957,244)	21,724	(27,287)	(4,962,807)
Total other income (expense)	<u>214,225</u>	<u>(5,680)</u>	<u>36,120</u>	<u>244,665</u>
Net income (loss)	<u>\$ (4,743,019)</u>	<u>\$ 16,044</u>	<u>\$ 8,833</u>	<u>\$ (4,718,142)</u>

The following tables summarize the financial information of each operating segment of the Company for the year ended December 31, 2022:

	Year Ended December 31, 2022			
	Corporate	IoT Products	IoT Installation Services	Total
Revenue	\$ –	\$ 51,302	\$ 252,535	\$ 303,837
Revenue - related party	–	41,536	8,246	49,782
Total revenue	<u>–</u>	<u>92,838</u>	<u>260,781</u>	<u>353,619</u>
Cost of revenue	–	84,296	246,603	330,899
Gross profit	–	8,542	14,178	22,720
Total operating expense	<u>4,463,852</u>	<u>449,060</u>	<u>315,454</u>	<u>5,228,366</u>
Loss from operations	(4,463,852)	(440,518)	(301,276)	(5,205,646)
Total other income (expense)	<u>127,165</u>	<u>158,259</u>	<u>(6,715)</u>	<u>278,709</u>
Net loss	<u>\$ (4,336,687)</u>	<u>\$ (282,259)</u>	<u>\$ (307,991)</u>	<u>\$ (4,926,937)</u>

Note 12 – Commitments and Contingencies

Pending Litigation

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the company, et al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. Trial for this matter is set for October 30, 2024 and discovery is currently ongoing. AVX intends to contest this matter and disputes that the other defendants are proper parties to the litigation. However, since litigation and investigations are inherently uncertain, the outcome may have a material impact on the Company.

Similarly, on or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. Trial is set for May 8, 2024. AVX intends to vigorously contest this matter and disputes that the other defendants are proper parties to the litigation. However, since litigation and investigations are inherently uncertain, the outcome may have a material impact on the Company.

Note 13 – Income taxes

The United States of America

The Company is subject to taxation in the United States and certain state jurisdictions. The provision for income taxes differs from the amounts which would be provided by applying the statutory federal income tax rate of 21% to the net loss before provision for income taxes. Accordingly, the Company reevaluated its deferred tax assets on net operating loss carryforward in the U.S. As of December 31, 2023, due to uncertainties surrounding future utilization, the Company recorded a full valuation allowance against the deferred tax assets based upon management's assessment as to their realization.

People's Republic of China

Effective January 1, 2008, the New Taxation Law of PRC stipulates that domestic enterprises and foreign invested enterprises (the "FIEs") are subject to a uniform tax rate of 25%. Under the PRC tax law, companies are required to make quarterly estimate payments based on 25% tax rate; companies that received preferential tax rates are also required to use a 25% tax rate for their installment tax payments. The overpayment, however, will not be refunded and can only be used to offset future tax liabilities.

Our effective tax rate differs from the statutory federal income tax rate, primarily as a result of the changes in valuation allowance, nondeductible permanent differences, credits, and state income taxes.

A reconciliation of the federal statutory income tax to our effective income tax is as follows:

	2023	2022
Federal statutory rates	\$ (991,000)	\$ (1,034,596)
State income taxes	(313,000)	(435,516)
Foreign income taxes	(46,000)	(129,904)
Permanent differences	–	(86)
Valuation allowance against net deferred tax assets	1,350,000	1,600,102
Effective rate	<u>\$ –</u>	<u>\$ –</u>

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2023 and 2022 is presented below:

	2023	2022
Deferred income tax asset		
Net operating loss carryforwards	\$ 6,612,282	\$ 5,261,884
Interest	43,872	43,786
Total deferred income tax asset	6,656,154	5,305,670
Less: valuation allowance	(6,656,154)	(5,305,670)
Total deferred income tax asset	<u>\$ –</u>	<u>\$ –</u>

The Company recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company's net deferred income tax asset is not more likely than not to be realized due to the lack of sufficient sources of future taxable income and cumulative losses that have resulted over the years. During the year ended December 31, 2023 the valuation allowance increased by \$1,350,484.

As of December 31, 2023, we had cumulative net operating loss carryforwards for federal and state income tax purposes of \$22,434,632, and available tax credit carryforwards of approximately \$4,354,568 for federal income tax purposes, which can be carried forward to offset future taxable income. The federal net operating loss carryforwards consists of \$17,195,453 of losses incurred prior to January 1, 2023 and which can be used to offset 100% of future taxable income and, \$3,540,588 of losses incurred after January 1, 2023, which can be used to offset up to 80% of taxable income in subsequent years.

Note 14 – Subsequent Events

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 of 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 payment begin on February 4, 2024 ("Due Date") whereby the Company will pay Lender in 12 equal payments of \$25,408.11 beginning on the Due Date. On January 9, 2024, the Lender transferred the Principal Amount to the Company.

On February 22, 2024, Focus Universal Inc. (the "Company") entered into an agreement (the "Agreement") with 620Magnolia LLC (the "Buyer") to sell and leaseback the Company's warehouse located at 2311 E. Locust Street, Ontario, California 91761 (the "Property"). The purchase price for the Property is \$7,100,000 with \$3,550,000 paid directly to the Company in cash, and the remaining \$3,550,000 to be financed by the Buyer and paid to the Company upon approval of the financing. The Agreement allows for a contingency period of thirty-five days and includes a requirement for Buyer to deposit \$100,000 into escrow, which has been satisfied. Additional contingencies are set forth in the Agreement and the closing date will occur 30 days after their satisfaction or waiver.

In addition, on February 22, 2024, the Company entered into a Standard Industrial/Commercial Single-Tenant Lease (the "Lease") with the Buyer to lease the Property for two years commencing at the close of escrow and ending on April 30, 2026. Base monthly rent is \$39,585, with a total of \$316,680 due upon execution of the lease.

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%.

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

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our Chief Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K (the “Evaluation Date”), concluded that as of the Evaluation Date, our disclosure controls and procedures were not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

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.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO Framework”). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. GAAP.

A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

In connection with the audit of our financial statements as of and for the years ended December 31, 2023 and 2022, we identified significant deficiencies in our internal control over financial reporting and a general understanding of U.S. GAAP. As such, there is a reasonable possibility that a misstatement of our financial statements will not be prevented or detected on a timely basis.

As we have thus far not needed to comply with Section 404 of the Sarbanes-Oxley Act, neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In light of this deficiency, we believe that it is possible that certain control deficiencies and material weaknesses may have been identified if such an evaluation had been performed.

We are working to remediate the deficiencies and material weaknesses. Our remediation efforts are ongoing, and we will continue our initiatives to implement and document policies, procedures, and internal controls. We have taken steps to enhance our internal control environment and plan to take additional steps to remediate the deficiencies and address material weaknesses. Specifically:

- We have hired our Vice President of Finance. We have also hired additional outside consultants, and we will hire qualified personnel in our accounting department, especially to add an experienced accountant in a controller capacity. We will continue to evaluate the structure of the finance organization and add resources as needed;
- We are engaging an external accounting firm to supplement our efforts to the implementation of the COSO Framework for internal controls;
- We will design and implement internal controls related to revenue and expenses recognition accounting;
- We are initiating a comprehensive program and development plan to provide ongoing company-wide trainings regarding internal controls, with particular emphasis on the training of our accounting staff;
- We are implementing additional internal reporting procedures, including those designed to add depth to our review processes and improve our segregation of duties;
- We are updating our systems so that we may collect the information necessary to enable us to more effectively monitor and comply with applicable filing requirements on a timely basis;
- We will continue to enhance risk assessment procedures and conduct a comprehensive risk assessment to enhance overall compliance; and
- We are redesigning and implementing common internal control activities; and we will continue to establish policies and procedures and enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility and accountability to enable remediating our material weaknesses.

In addition to the items noted above, as we continue to evaluate, remediate and improve our internal control over financial reporting, executive management may elect to implement additional measures to address control deficiencies or may determine that the remediation efforts described above require modification. Executive management, in consultation with and at the direction of our Audit Committee, will continue to assess the control environment and the above-mentioned efforts to remediate the underlying causes of the identified material weaknesses.

Although we plan to complete this remediation process as quickly as possible, we are unable, at this time to estimate how long it will take; and our efforts may not be successful in remediating the deficiencies or material weaknesses.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the company to provide only management's report on internal control in this annual report.

Item 9B. OTHER INFORMATION

During the quarter ended December 31, 2023, no director or officer adopted or terminated any 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 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table presents information with respect to our officers, directors and significant employees as of the date of this report:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Dr. Edward Lee*	Director and Chairman	61
Dr. Desheng Wang**	Chief Executive Officer, Secretary, and Director	60
Irving Kau*****	Chief Financial Officer	50
Michael Pope****	Director (1)	44
Carine Clark****	Director (1)	61
Sean Warren*****	Director (1)	53

* Appointed director on October 21, 2015

** Appointed director on December 29, 2014

**** Appointed director on June 8, 2018

***** Appointed director on August 10, 2022

***** Appointed officer on November 18, 2022

(1) Independent director

Each director serves until our next annual meeting of the stockholders or unless they resign earlier and serves until his or her successor is elected and qualified. At the present time, members of the Board of Directors are not compensated with cash for their services to the board.

Each of our officers is elected by the Board of Directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is removed from office.

Biographical Information Regarding Officers and Directors

Desheng Wang

Dr. Desheng Wang was appointed as Chief Executive Officer, Secretary, and has been a director since December 29, 2014. Dr. Wang has over 20 years of professional experience in mobile technology. Dr. Wang earned his bachelor's degree from Hebei Normal University, Physics Department in 1985. In 1988, Dr. Wang earned his master's degree from Dalian Institute of Chemical Physics at the Chinese Academy of Science. Dr. Wang earned his Ph.D. in Chemistry at Emory University in 1994. Dr. Wang served as a senior research fellow at California Institute of Technology from 1994-2011. Over the last five years, Dr. Wang has served as president of Vitashower Corporation and formerly as President of Perfecular Inc.

Edward Lee

Dr. Edward Lee was appointed President and director on October 21, 2015. On November 15, 2019, Dr. Lee resigned as President and was appointed as Chairman of the Board of Directors. Dr. Lee received his bachelor's degree in Mathematics at Lanzhou University in 1983, received his master's degree at University of Science and Technology of China in 1985 and earned his Ph.D. in Mathematics at University of Florida in 1991. Dr. Lee worked as an assistant professor at Tsinghua University in 1986 and National University of Singapore in 1992. Since 1996, Dr. Lee has served as CEO of AIDP, a leading supplier of dietary supplement ingredients, focusing on research and development and marketing and sales of proprietary ingredients like Magtein, KoACT, Predtic X, and Actizin. Dr. Lee is also serving as the Vice Chairperson of the American Chinese CEO Association. Dr. Lee is married to Jennifer Gu, a former director of Focus Universal.

Irving Kau

Irving Kau was appointed as Chief Financial Officer on November 18, 2022, prior to that he served as Focus Universal's Vice President of Finance and Head of Investor Relations since November 10, 2021. Prior to joining the Company, Mr. Kau served as a Managing Partner of both Elementz Ventures and KW Capital Partners, and during his tenure he successfully invested and grew companies across various geographies. The Company expects that as CFO, Mr. Kau will assist with many matters in the near future, including building up the Company's internal businesses, processes and controls, the Company's external outreach and growth measures, as well as strengthen the Company's financial reporting and the investor relations. Prior to his work at Elementz Ventures and KW Capital Partners, Mr. Kau served as the head of Asia at GHS (now known as Seaport Global). Mr. Kau also previously served for approximately 10 years as Chief Financial Officer of an AgBiotech company Origin Agritech Limited (Nasdaq: SEED). During his tenure, shareholders included Wellington Management, Fidelity Investments, Citadel Investments, Heartland Fund, Mitsubishi UFJ, amongst others. Mr. Kau received undergraduate degrees from Johns Hopkins University and a graduate degree from Rice University and pursued a PhD degree in Business Strategy (economics) at USC.

Michael Pope

Michael Pope was appointed as a director of the Company on June 8, 2018. Mr. Pope serves as the CEO and Chairman at Boxlight Corporation (Nasdaq: BOXL), a global provider of interactive technology solutions, where he has been an executive since July 2015 and director since September 2014. Mr. Pope has led Boxlight through nine acquisitions from 2016 to 2020, a Nasdaq IPO in November 2017, and over \$100 million in debt and equity fundraising. He previously served as Managing Director at Vert Capital, a private equity and advisory firm from October 2011 to October 2016, managing portfolio holdings in the education, consumer products, technology and digital media sectors. Prior to joining Vert Capital, from May 2008 to October 2011, Mr. Pope was Chief Financial Officer and Chief Operating Officer for the Taylor Family in Salt Lake City, managing family investment holdings in consumer products, professional services, real estate and education. Mr. Pope also held positions including senior SEC reporting at Omniture (previously listed on Nasdaq and acquired by Adobe (Nasdaq: ADBE) in 2009) and Assurance Associate at Grant Thornton. Since January 2021, Mr. Pope has served as a member of the board of directors of Novo Integrated Sciences, Inc. (OTCQB: NVOS), a provider of multi-dimensional primary healthcare products and services. He holds an active CPA license and earned his undergraduate and graduate degrees in accounting from Brigham Young University.

Sean Warren

Sean Warren is a seasoned executive with over 25 years of experience in technology and enterprise technology systems. He brings a wealth of expertise with strengths in areas such as software development, cloud management, enterprise infrastructure development and full spectrum of IT compliance. Sean has been the CIO of Mountain Medical, Veyo Medical and VP of IT at Larry Miller. He has worked for technology companies as Omniture, Adobe and served as the director of cloud operations at Domo from 2016 to 2018. From 2019-2021, Mr. Warren served as the VP of OPSA Change Advisory at Wells Fargo, and since 2021 to the present works as the VP of Global Platform Services at Cotiviti where he manages over 1,000 employees globally in four countries. Sean is fluent in Spanish and graduated from Florida State University in accounting. Mr. Warren previously served on our board of directors from June 2018 to November 28, 2018.

Carine Clark

Carine Clark was appointed as an independent director of the Company on June 8, 2018. Ms. Clark has served as president and CEO of four high-growth tech companies. In March 2019, Ms. Clark was appointed to the board of directors of Domo, Inc. (NASDAQ: DOMO) and is currently serving as a member of Domo's compensation committee. Since 2017 she has served as an Executive Board Member of the Utah Governor's Office of Economic Development and Silicon Slopes, a non-profit helping Utah's tech community thrive. Prior to that, Ms. Clark served from January 2015 to December 2016 as the President and CEO of MartizCX. From December 2012 to December 2016, Ms. Clark served as the President and CEO of Allegiance, Inc. Her reputation as a data-driven marketing executive at Novell for 14 years, Altiris for five years, and Symantec for more than 10 years. She has received numerous awards including the EY Entrepreneur of The Year® Award in the Utah Region and Utah Business Magazine's CEO of the Year. Ms. Clark earned a bachelor's degree in organizational communications and an MBA from Brigham Young University.

Corporate Governance

Our Board of Directors currently consists of seven members. Our Chairperson of the Board of Directors is Dr. Edward Lee. Dr. Edward Lee and Dr. Desheng Wang are the two members of our Board of Directors who are not independent directors. Michael Pope, Sean Warren, and Carine Clark are the three members of our Board of Directors who are independent directors.

Director Attendance at Meetings

Our Board of Directors conducts its business through meetings, both in person and telephonic, and by actions taken by written consent in lieu of meetings. During the year ended December 31, 2023, our Board of Directors held four meetings. All directors attended at least 75% of the meetings of our Board of Directors and of the committees of our Board of Directors on which they served during 2023.

Our Board of Directors encourages all directors to attend our annual meetings of stockholders unless it is not reasonably practicable for a director to do so.

Committees of our Board of Directors

Our Board of Directors has established and delegated certain responsibilities to its standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

Audit Committee

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's primary duties and responsibilities include monitoring the integrity of our financial statements, monitoring the independence and performance of our external auditors, and monitoring our compliance with applicable legal and regulatory requirements. The functions of the Audit Committee also include reviewing periodically with our independent registered public accounting firm the performance of the services for which they are engaged, including reviewing the scope of the annual audit and its results, reviewing with management and the auditors the adequacy of our internal accounting controls, reviewing with management and the auditors the financial results prior to the filing of quarterly and annual reports, reviewing fees charged by our independent registered public accounting firm and reviewing any transactions between our Company and related parties. Our independent registered public accounting firm reports directly and is accountable solely to the Audit Committee. The Audit Committee has the sole authority to hire and fire the independent registered public accounting firm and is responsible for the oversight of the performance of their duties, including ensuring the independence of the independent registered public accounting firm. The Audit Committee also approves in advance the retention of, and all fees to be paid to, the independent registered public accounting firm. The rendering of any auditing services and all non-auditing services by the independent registered public accounting firm is subject to prior approval of the Audit Committee.

The Audit Committee operates under a written charter. The Audit Committee is required to be composed of directors who are independent under the rules of the SEC and the listing standards of The NASDAQ Stock Market LLC ("NASDAQ").

The current members of the Audit Committee are directors Michael Pope, the Chairperson of the Audit Committee, Ms. Carine Clark, and Mr. Sean Warren, all of whom have been determined by the Board of Directors to be independent under the NASDAQ listing standards and rules adopted by the SEC applicable to audit committee members. The Board of Directors has determined that Mr. Michael Pope qualifies as an "audit committee financial expert" under the rules adopted by the SEC and the Sarbanes-Oxley Act. The Audit Committee met four times during 2023.

Compensation Committee

The primary duties and responsibilities of our standing Compensation Committee are to review, modify and approve the overall compensation policies for the Company, including the compensation of the Company's Chief Executive Officer and other senior management; establish and assess the adequacy of director compensation; and approve the adoption, amendment and termination of the Company's stock option plans, pension and profit-sharing plans, bonus plans and similar programs. The Compensation Committee may delegate to one or more officers the authority to make grants of options and restricted stock to eligible individuals other than officers and directors, subject to certain limitations. Additionally, the Compensation Committee has the authority to form subcommittees and to delegate authority to any such subcommittee. The Compensation Committee also has the authority, in its sole discretion, to select, retain and obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors and consultants. Moreover, the Compensation Committee has sole authority to retain and terminate any compensation consultant to assist in the evaluation of director, Chief Executive Officer or senior executive compensation, including sole authority to approve such consultant's reasonable fees and other retention terms, all at the Company's expense.

The Compensation Committee operates under a written charter. All members of the Compensation Committee must satisfy the independence requirements of NASDAQ applicable to compensation committee members.

The Compensation Committee currently consists of directors Ms. Carine Clark, Mr. Sean Warren, and Mr. Michael Pope. Ms. Carine Clark is the Chairperson of the Compensation Committee. Each of the Compensation Committee members has been determined by the Board of Directors to be independent under NASDAQ listing standards applicable to compensation committee members. The Compensation Committee met four times during 2023.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee identifies, reviews, and evaluates candidates to serve on the Board; reviews and assesses the performance of the Board of Directors and the committees of the Board; and assesses the independence of our directors. The Nominating and Corporate Governance Committee is also responsible for reviewing the composition of the Board's committees and making recommendations to the entire Board of Directors regarding the chairpersonship and membership of each committee. In addition, the Nominating and Corporate Governance Committee is responsible for developing corporate governance principles and periodically reviewing and assessing such principles, as well as periodically reviewing the Company's policy statements to determine their adherence to the Company's Code of Business Conduct and Ethics.

The Nominating and Corporate Governance Committee has adopted a charter that identifies the procedures whereby Board of Director candidates are identified primarily through suggestions made by directors, management, and stockholders of the Company. We have implemented no material changes in the past year to the procedures by which stockholders may recommend nominees for the Board. The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders that are submitted in writing to the Company's Corporate Secretary in a timely manner and which provide necessary biographical and business experience information regarding the nominee. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the criteria considered by the Nominating Committee, based on whether or not the candidate was recommended by a stockholder. The Board of Directors does not prescribe any minimum qualifications for director candidates, and all candidates for director will be evaluated based on their qualifications, diversity, age, skill and such other factors as deemed appropriate by the Nominating and Corporate Governance Committee given the current needs of the Board of Directors, the committees of the Board of Directors and the Company. Although the Nominating and Corporate Governance Committee does not have a specific policy on diversity, it considers the criteria noted above in selecting nominees for directors, including members from diverse backgrounds who combine a broad spectrum of experience and expertise. Absent other factors which may be material to its evaluation of a candidate, the Nominating and Corporate Governance Committee expects to recommend to the Board of Directors for selection incumbent directors who express an interest in continuing to serve on the Board. Following its evaluation of a proposed director's candidacy, the Nominating and Corporate Governance Committee will make a recommendation as to whether the Board of Directors should nominate the proposed director candidate for election by the stockholders of the Company.

The Nominating and Corporate Governance Committee operates under a written charter. No member of the Nominating and Corporate Governance Committee may be an employee of the Company, and each member must satisfy the independence requirements of NASDAQ and the SEC.

The Nominating and Corporate Governance Committee currently consists of directors Mr. Sean Warren, who is the Chairperson of the committee, Mr. Michael Pope and Ms. Carine Clark. Each of the members of the Nominating and Corporate Governance Committee has been determined by the Board of Directors to be independent under NASDAQ listing standards. The Nominating and Corporate Governance Committee met four times in 2023.

Oversight of Risk Management

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal and regulatory risks and others, such as the impact of competition. Management is responsible for the day-to-day management of the risks that we face, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors is responsible for satisfying itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board of Directors assesses major risks facing our Company and options for their mitigation to promote our stockholders' interests in the long-term health of our Company and our overall success and financial strength. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The involvement of our full Board of Directors in the risk oversight process allows our Board of Directors to assess management's appetite for risk and also determine what constitutes an appropriate level of risk for our Company. Our Board of Directors regularly includes agenda items at its meetings relating to its risk oversight role and meets with various members of management on a range of topics, including corporate governance and regulatory obligations, operations and significant transactions, risk management, insurance, pending and threatened litigation and significant commercial disputes.

While our Board of Directors is ultimately responsible for risk oversight, various committees of our Board of Directors oversee risk management in their respective areas and regularly report on their activities to our entire Board of Directors. In particular, the Audit Committee has the primary responsibility for the oversight of financial risks facing our Company. The Audit Committee's charter provides that it will discuss our major financial risk exposures and the steps we have taken to monitor and control such exposures. Our Board of Directors has also delegated primary responsibility for the oversight of all executive compensation and our employee benefit programs to the Compensation Committee. The Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with our business strategy.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company and that our Board's leadership structure provides appropriate checks and balances against undue risk taking.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a code of ethical conduct that applies to our principal executive officer, principal financial officer and senior financial management. This code of ethical conduct is embodied within our Code of Business Conduct and Ethics, which applies to all persons associated with our Company, including our directors, officers, and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller). To satisfy our disclosure requirements under Item 5.05 of Form 8-K, we will disclose amendments to, or waivers of, certain provisions of our Code of Business Conduct and Ethics relating to our chief executive officer, chief financial officer, chief accounting officer, controller or persons performing similar functions on our website promptly following the adoption of any such amendment or waiver. The Code of Business Conduct and Ethics provides that any waivers of, or changes to, the code that apply to the Company's executive officers or directors may be made only by the Audit Committee. In addition, the Code of Business Conduct and Ethics includes updated procedures for non-executive officer employees to seek waivers of the code.

Director Independence

Our Company is governed by our Board. Currently, each member of our Board, other than Dr. Edward Lee and Dr. Desheng Wang, are an independent director; and all standing committees of our Board of Directors are composed entirely of independent directors, in each case under NASDAQ's independence definition applicable to boards of directors. For a director to be considered independent, our Board of Directors must determine that the director has no relationship which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Members of the Audit Committee also must satisfy a separate SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries other than their directors' compensation. In addition, under SEC rules, an Audit Committee member who is an affiliate of the issuer (other than through service as a director) cannot be deemed to be independent. In determining the independence of members of the Compensation Committee, NASDAQ listing standards require our Board of Directors to consider certain factors, including, but not limited to: (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by us to the director, and (2) whether the director is affiliated with us, one of our subsidiaries or an affiliate of one of our subsidiaries. Under our Compensation Committee Charter, members of the Compensation Committee also must qualify as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act. The independent members of the Board of Directors are Michael Pope, Sean Warren, and Carine Clark.

Item 11: EXECUTIVE COMPENSATION**Compensation of Officers**

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2023 and 2022 awarded to, earned by or paid to our executive officers.

<i>Summary Compensation Table</i>									
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)*	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Desheng Wang CEO, Secretary and Director	2023	122,308	0	0	0	21,000	0	0	143,308
	2022	120,000	0	0	0	21,020	0	0	141,020
Irving Kau Chief Financial Officer	2023	203,532	0	0	0	27,863	0	0	231,395
	2022	150,000	0	0	0	10,000	0	0	160,000

Narrative Disclosure Requirement for Summary Compensation Table**Compensation**

Dr. Desheng Wang entered into an employment agreement with the Company whereby the Company agreed to pay Dr. Wang a salary of \$120,000 per year, payable monthly, for his services as Chief Executive Officer, effective as of November 1, 2018. We have not provided our other named executive officers with perquisites or other personal benefits. Irving Kau was appointed as the Company's Chief Financial Officer on November 18, 2022. Mr. Kau has executed an employment agreement with the Company, dated November 3, 2021, for the provision of services as VP of Finance. Mr. Kau's employment agreement included a salary and certain equity incentive. Mr. Kau would receive up to 15,000 shares of the Company's common stock per year, vesting in 4 installments of 3,750 shares at the end of each calendar quarter, provided that certain metrics are achieved. No other officer or director has formally entered into any compensation arrangement for services provided under consulting agreements or employment agreements.

Retirement, Resignation or Termination Plans

We sponsor no plan, whether written or verbal, that would provide compensation or benefits of any type to an executive upon retirement, or any plan that would provide payment for retirement, resignation, or termination as a result of a change in control of our company or as a result of a change in the responsibilities of an executive following a change in control of our company.

Directors' Compensation

The persons who served as affiliated members of our Board of Directors, including executive officers, did not receive any compensation for services as directors in 2022 or 2023. As of the date of this report, no director has formally entered into any compensation arrangement for services provided under consulting agreements or employment agreements.

As of the date of this annual report, all directors have been issued 22,500 options per person pursuant to our 2018 Stock Option Plan and such options will vest over a period of one year. In 2022, all independent directors were paid \$30,000 cash, except for Sheri Lofgren, Gregory Butterfield, and Sean Warren. Sheri Lofgren received \$32,500 for serving as the chair of the audit committee. Gregory Butterfield and Sean Warren received \$10,000 and \$15,699, respectively, for serving independent board director. Additionally, a company affiliated with Mr. Pope received \$20,000 for advisory services in 2022, which included \$12,000 in cash and \$8,000 in stock. In 2023, all independent directors were paid \$40,000 cash, except for Sheri Lofgren. Sheri Lofgren received \$20,000 in 2023 for serving independent board director.

Option Exercises and Stock Vested

On December 17, 2018, the Company adopted the 2018 Stock Option Plan (the "2018 Stock Option Plan") whereby the Company reserved for issuance 1,000,000 shares of common stock and agreed that such shares shall, when issued and paid for in accordance with the provisions of the 2018 Stock Option Plan, constitute validly issued, fully paid and non-assessable shares of common stock.

Pension Benefits and Nonqualified Deferred Compensation

The Company does not maintain any qualified retirement plans or non-qualified deferred compensation plans for its employees or directors.

Executive Officer Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of December 31, 2023.

Name	Option Awards				Stock Awards					
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	
Edward Lee - Chairman	45,000	-	-	3.80	August 6, 2029	-	-	-	-	
	22,500	-	-	2.00	December 10, 2030	-	-	-	-	
	22,500	-	-	5.91	December 30, 2031	-	-	-	-	
	22,500	-	-	4.27	December 30, 2032	-	-	-	-	
Desheng Wang - CEO, Secretary	45,000	-	-	3.80	August 6, 2029	-	-	-	-	
	22,500	-	-	2.00	December 10, 2030	-	-	-	-	
	22,500	-	-	5.91	December 30, 2031	-	-	-	-	
	22,500	-	-	4.27	December 30, 2032	-	-	-	-	
Irving Kau - CFO	-	-	-	-	-	25,000	-	-		
Jennifer Gu	45,000	-	-	3.80	August 6, 2029	-	-	-	-	
	22,500	-	-	2.00	December 10, 2030	-	-	-	-	
	22,500	-	-	5.91	December 30, 2031	-	-	-	-	
	11,312	-	-	4.27	December 30, 2032	-	-	-	-	
Michael Pope	9,375	-	-	5.91	December 30, 2031	-	-	-	-	
	22,500	-	-	4.27	December 30, 2032	-	-	-	-	
Carine Clark	45,000	-	-	3.80	August 6, 2029	-	-	-	-	
	22,500	-	-	2.00	December 10, 2030	-	-	-	-	
	22,500	-	-	5.91	December 30, 2031	-	-	-	-	
	22,500	-	-	4.27	December 30, 2032	-	-	-	-	
Sheri Lofgren	9,375	-	-	5.91	December 30, 2031	-	-	-	-	
	11,312	-	-	4.27	December 30, 2032	-	-	-	-	
Sean Warren	22,500	-	-	4.27	December 30, 2032	-	-	-		

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of December 31, 2023: (i) by each of our directors, (ii) by each of the Named Executive Officers, (iii) by all of our executive officers and directors as a group, and (iv) by each person or entity known by us to beneficially own more than five percent (5%) of any class of our outstanding shares. As of December 31, 2023, there were 64,771,817 shares of our common stock outstanding:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Beneficial Ownership %
Common	Desheng Wang, CEO, and Director	21,596,550	33.43%
Common	Edward Lee, Chairman and Director jointly with Jennifer Gu, Former Director	12,277,500	18.96%
Common	Yan Chen	4,475,342	6.91%
Common	Michael Pope	2,319	*
Common	Irving Kau	17,250	*

(1) Applicable percentage of ownership is based on 64,771,817 shares of common stock outstanding on December 31, 2023.

Percentage ownership is determined based on shares owned together with securities exercisable or convertible into shares of common stock within 60 days of December 31, 2023, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of December 31, 2023, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Our common stock is our only issued and outstanding class of securities eligible to vote.

As of December 31, 2023, there were 29,478,696 shares of common stock outstanding owned by our officers and directors.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Consulting services provided by the President, Chief Executive Officer, Secretary, Treasurer and Chief Financial Officer for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
President	\$ 0	\$ 0
Chief Executive Officer, Secretary and Treasurer	143,328	141,020
Chief Financial Officer	231,395	37,020
	<u>\$ 374,723</u>	<u>\$ 178,040</u>

Related party Transactions

Revenue generated from Vitashower Corp., a company owned by the Chief Executive Officer's wife, amounted to \$0 and \$41,536 for the years ended December 31, 2023 and 2022, respectively. The accounts receivable balance due from Vitashower Corp. amounted to \$0 and \$34,507 as of December 31, 2023 and 2022, respectively.

Service revenue generated from the installation of home security equipment by AT Tech and AVX for one of the Company's directors, amounted to \$65,543 and \$8,246 for the year ended December 31, 2023 and 2022, respectively.

Director Independence

A director is not considered to be independent if he or she is also an executive officer or employee of the corporation. Our director Edward Lee is also our Chairman; our director Desheng Wang is also our Chief Executive Officer. The rest of our directors, excluding Jennifer Gu, are independent directors.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

On January 19, 2023, we changed our independent auditor to Reliant CPA PC (the "Former Auditor"). On January 12, 2024, the Company notified the Former Auditor that the Company is dismissing it as the independent registered public accounting firm of the Company. On January 5, 2024, the Company engaged Weinberg & Company, P.A. (the "New Auditor") as its independent PCAOB registered public accounting firm for the Company's fiscal year ended December 31, 2023. The recommendation to engage the New Auditor as the Company's independent registered public accounting firm was approved by the Company's Audit Committee and the Company's Board of Directors as it being in the best interests of the Company.

For the years ended December 31, 2023 and 2022, we incurred fees as discussed below:

	Year ended December 31, 2023	Year ended December 31, 2022
Audit fees	\$ 92,000	\$ 94,000
Audit – related fees	\$ Nil	\$ Nil
Tax fees	\$ Nil	\$ Nil
All other fees	\$ Nil	\$ Nil

Audit fees consist of fees related to professional services rendered in connection with the audit of our annual financial statements and review of our quarterly financial statements. Tax fees represent fees related to preparation of our corporation income tax returns. Our policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services.

PART IV

Item 15. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation , as filed with the SEC on December 26, 2013.
3.2	Amended and Restated Bylaws , as filed with the SEC on October 22, 2019.
10.1	2018 Equity Incentive Plan , as filed with the SEC on December 28, 2018.
10.2	Promissory Note with Chase Bank, dated March 10, 2021 for \$108,750 SBA Loan , as filed with the SEC on March 23, 2021.
10.3	Secured Promissory Note with East West Bank, dated January 8, 2021 for \$1,500,000 , as filed with the SEC on March 23, 2021.
10.4	Loan Agreement with Golden Sunrise Investment LLC, dated March 15, 2021 for \$1,500,000 , as filed with the SEC on March 23, 2021.
10.5	Company Guarantee Agreement with Golden Sunrise Investment LLC, dated March 15, 2021 , as filed with the SEC on March 23, 2021.
10.6	Secured Promissory Note with Golden Sunrise Investment LLC, dated March 15, 2021 for \$1,500,000 , as filed with the SEC on March 23, 2021.
10.7	Employment Agreement by and between the Company and Irving Kau, dated November 3, 2021 , as filed with the SEC on March 31, 2023.
10.8	Amendment to I. Kau Employment Agreement, dated November 21, 2022 , as filed with the SEC on March 31, 2023.
10.9	At the Market Sales Agreement, dated December 9, 2022, with Sutter Securities , as filed with the SEC on December 12, 2022.
10.10	Asset Purchase Agreement, dated December 19, 2022 with AT Tech Systems , as filed with the SEC on March 31, 2023.
10.11	Articles of Organization of Lusher Bioscientific, LLC , as filed with the SEC on March 31, 2023.
10.12	Bylaws of Lusher Bioscientific , as filed with the SEC on March 31, 2023.
10.13	Articles of Organization of AT Tech Systems, LLC , as filed with the SEC on March 31, 2023.
10.14	Operating Agreement of AT Tech Systems, LLC , as filed with the SEC on March 31, 2023.
10.15	Loan Agreement with Ziling Gao dated January 4, 2024 .*
21.1	List of Subsidiaries .*
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 .*
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 .*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .*
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .*
97.1	Policy for the Recovery of Erroneously Awarded Compensation .*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)**
101.SCH	Inline XBRL Taxonomy Extension Schema Document**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document**
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 1, 2024

FOCUS UNIVERSAL INC.

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer, Secretary, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURES</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Desheng Wang</u> Desheng Wang	Chief Executive Officer, Secretary and Director	April 1, 2024

Focus Universal Inc., a Nevada corporation

/s/ Desheng Wang
By Desheng Wang, its CEO

LOAN AGREEMENT

THE PARTIES. This Loan Agreement (“Agreement”) made this January 4, 2024, is between:

Borrower: (“Borrower”)

Full Name: Focus Universal Inc.
with a mailing address of 2311 East Locust Court, Ontario, CA 91761

and agrees to borrow money from:

Lender: (“Lender”)

Full Name: Ziling Gao
with a mailing address of: 57 Bainbridge, Irvine, CA 92620

and agrees to lend money to the Borrower under the following terms:

LOAN AMOUNT. The total amount of money being borrowed from the Lender to the Borrower is \$300,000.00 (“Borrowed Money”).

INTEREST RATE. The Borrowed Money shall: 3% compounded annually.

Payment Every Month: \$25,408.11

Total of 12 Payments: \$304,897.32

Total Interest: \$4,897.32

TERM. The total amount of the Borrowed Money, including principal and interest, shall be in twelve payments, due and payable beginning on 2/4/2024.

PAYMENTS. The Borrower agrees to repay the Borrowed Money to the Lender under the twelve payments beginning on 2/4/2024. The Borrower agrees to repay the Lender, in twelve payments, beginning on the Due Date.

Hereinafter known as the (“Payment Schedule”). All payments made by the Borrower shall be first applied to any accrued interest and second to the principal balance.

SUBORDINATION. The Borrower’s obligations under this Agreement are subordinated to all indebtedness, if any, of the Borrower, to any unrelated third-party lender to the extent such indebtedness is outstanding on the date of this Agreement and such subordination is required under the loan documents providing for such indebtedness.

NO REPRESENTATIONS AND WARRANTIES. This contract is being provided under this Agreement “as is” and without any representation or warranty of any kind, either express or implied, regarding the accuracy or completeness or other quality of the supplied information. In no event shall either party or its affiliates or any of their respective directors, officers, employees, agents, or representatives (including, without limitation) have any liability to other party relating to or arising out of any use of the contract in accordance with this Agreement. Each party is responsible without any limitation of any kind under any timeline for fulfilling or dealing with or ensuring any governmental or local jurisdictional matters regarding its own location and geography.

WAIVERS BY LENDER. All parties to this Agreement, including the Lender and any sureties, endorsers, and guarantors, hereby waive protest, presentment, a notice of dishonor, and a notice of acceleration of maturity and agree to continue to remain bound for the payment of principal, interest and all other sums due under this Agreement notwithstanding any change or changes by way of release, surrender, exchange, modification or substitution of any security for this Agreement or by way of any extension or extensions of time for the payment of principal and interest; and all such parties waive all and every kind of notice of such change or changes and agree that the same may be made without notice or consent of any of them.

DISPUTES. In the event any payment under this Agreement is not paid when due, the Borrower agrees to pay, in addition to the principal and interest hereunder, reasonable attorney’s fees not exceeding a sum equal to the maximum usury rate in **the State of California** Governing Law of the then outstanding balance owing on the Borrowed Amount, plus all other reasonable expenses incurred by Lender in exercising any of its rights and remedies upon default.

SEVERABILITY. If any provision of this Agreement or the application thereof shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of the provision to other persons, entities, or circumstances shall be affected, thereby, but instead shall be enforced to the maximum extent permitted by law.

GOVERNING LAW. This Agreement shall be construed and governed by the laws located in the **State of California** (“Governing Law”).

SUCCESSORS. All of the foregoing is the promise of Borrower and shall bind Borrower and Borrower’s successors, heirs, and assigns; provided, however, that Lender may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of the holder of this Agreement.

ENTIRE AGREEMENT. This Agreement contains all the terms agreed to by the parties relating to its subject matter, including any attachments or addendums. This Agreement replaces all previous discussions, understandings, and oral agreements. The Borrower and Lender agree to the terms and conditions and shall be bound until the Borrowed Amount is repaid in full.

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement as of the day and year first above written.

Borrower’s Signature: /s/ Irving Kau
Full Name (Printed): Irving Kau

Date: 01/04/2024

Lender’s Signature: /s/ Ziling Gao
Full Name (Printed) Ziling Gao

Date: 01/04/2024

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State or Other Jurisdiction of Incorporation or Organization
Perfecular, Inc.	California
Lusher Bioscientific, LLC	California
AT Tech Systems, LLC	California
AVX Design and Integration, Inc.	California

Exhibit 31.1

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

I, Desheng Wang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Focus Universal Inc. for the year ended December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 1, 2024

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer
(Principal Executive Officer)

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

I, Irving H Kau, certify that:

1. I have reviewed this Annual Report on Form 10-K of Focus Universal Inc. for the year ended December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 1, 2024

By: /s/ Irving H Kau
Irving H Kau
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Annual Report of Focus Universal Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Desheng Wang, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Annual Report of Focus Universal Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Irving H Kau, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer
(Principal Financial Officer)

FOCUS UNIVERSAL INC.

POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Overview

In accordance with the applicable rules of the Nasdaq (the “**Nasdaq Rules**”), Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and Rule 10D-1 under the Exchange Act (“**Rule 10D-1**”), the Board of Directors (the “**Board**”) of Focus Universal Inc. (the “**Company**”) has adopted this Policy to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section 8 below.

2. Recovery of Erroneously Awarded Compensation: Rule 10D-1 Clawback Requirements

- In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:
- After an Accounting Restatement, the Compensation Committee of the Board (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the “**Committee**”) shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

- The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
- The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.
- The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances, which may include without limitation (A) seeking reimbursement of all or part of any cash or equity-based award, (B) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (C) cancelling or offsetting against any planned future cash or equity-based awards, (D) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and regulations thereunder and (E) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Committee may affect recovery under this Policy from any amount otherwise payable to the Executive Officer, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Executive Officer. Notwithstanding the foregoing, except as set forth in Section 2(b) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer’s obligations hereunder.

- To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.
- To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.
- Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 2(a) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable and any of the following two conditions are met:
- The Committee has determined that the direct expenses paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code and regulations thereunder.

3. Disclosure Requirements

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (the “SEC”) filings and rules.

4. Prohibition of Indemnification

The Company shall not be permitted to insure or indemnify any Executive Officer against (a) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy or (b) any claims relating to the Company’s enforcement of its rights under this Policy, including any payment or reimbursement for the cost of third-party insurance purchased by any Executive Officer to cover any such loss or claims. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company’s right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the effective date of this Policy).

5. Administration and Interpretation

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company’s compliance with Nasdaq Rules, Section 10D of the Exchange Act, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or the Nasdaq promulgated or issued in connection therewith.

6. Amendment or Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. The Board may terminate this Policy at any time. Notwithstanding anything in this Section 6 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after considering any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq Rule.

7. Other Recovery Rights

This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. If any provision of this Policy or the application of such provision to any Executive Officer shall be adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Policy, and the invalid, illegal or unenforceable provisions shall be deemed amended to the minimum extent necessary to render any such provision (or the application of such provision) valid, legal or enforceable. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

8. Definitions

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

- “**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).
- “**Clawback Eligible Incentive Compensation**” means all Incentive-based Compensation Received by an Executive Officer (i) on or after March 15, 2024, the effective date of the applicable Nasdaq Rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).
- “**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.
- “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer only in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

- **“Executive Officer”** means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).
- **“Financial Reporting Measures”** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.
- **“Incentive-based Compensation”** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- **“Nasdaq”** means the Nasdaq Stock Exchange.
- **“Received”** means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.
- **“Restatement Date”** means the earlier to occur of (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

Effective as of March 15, 2024.

EXHIBIT A

ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this “**Policy**”).
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: /s/ Desheng Wang

Printed Name: Desheng Wang

Title: CEO

Signature: /s/ Irving Kau

Printed Name: Irving Kau

Title: CFO