

**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, 2016  
or

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

Commission file number 333-193087

**FOCUS UNIVERSAL INC.**

(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of Incorporation or organization)	<u>46-3355876</u> (I.R.S. Employer Identification No.)
<u>829 Lawson Street, City of Industry, CA</u> (Address of principal executive offices)	<u>91748</u> (Zip Code)

Registrant's telephone number, including area code (702) 724-2646

**Securities registered under Section 12(b) of the Exchange Act:**

Title of each class	Name of each exchange on which registered
Common Stock \$0.001 par value	None

**Securities registered under Section 12(g) of the Exchange Act:**

None  
(Title of class)

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. ☐

Indicate by check mark whether the registrant (1) 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

As of March 20, 2017, the date immediately preceding the filing of this Annual Report, the aggregate market value of voting stock held by non-affiliates of the registrant, based on the closing price of the Over-The-Counter QB of \$1.50 per share, at which the common equity was sold, was \$51,862,059.

The number of shares outstanding of the registrant’s common stock, \$0.001 par value, outstanding as of March 20, 2017: 34,574,706.

#### DOCUMENTS INCORPORATED BY REFERENCE

Articles of Incorporation, Bylaws, Subscription Agreement, are incorporated by reference to the Company’s Registration Statement on Form S-1 filed with the SEC on December 26, 2013. Stock Purchase Agreement dated December 29, 2014 is incorporated by reference to the 8-K filed on January 5, 2015 by the Company. Merger Agreement dated December 30, 2015 is incorporated by reference to the 8-K/A filed on January 7, 2016.

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## 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 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 to continue as going concern;
- 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 involved in two separate industries: (1) an online marketing, advertising and design provider; and (2) a provider of handheld sensor devices and wholesaler of various air filters.

We are based in the City of Industry, California, and were incorporated in Nevada in 2012. In December 2013, we filed an S-1 registration statement that went effective on March 14, 2014.

Our website is [www.focusuniversal.com](http://www.focusuniversal.com). Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Focus Universal Inc. is primarily a handheld systems and filters wholesaler to distribution platforms. We are also researching, developing, and manufacturing a universal smart instrument device and working on specializing in the development and commercialization of such universal smart technologies and instruments. We define universal smart technology as commercial technology with an integrated platform, which provides a unique and universal solution for test and measurement made up of off-the-shelf parts. We are working on developing a universal sensor node and gateway system that use the data processing capabilities of a smartphone to display readings of multiple probe modules. We are also researching the development of an anti-counterfeit authentication technology that we believe could address the problem of counterfeit production by attempting to authenticate consumer goods. We call this device the “Ubiquitor” because it can be used to wirelessly measure and test a variety of electrical and physical phenomena such as voltage, current, temperature, pressure, sound, light, and humidity.

The Ubiquitor, which we have created and have manufactured in limited quantities, utilizes a standard desktop computer with Mac OS, Windows OS, an Android-based or iOS-based smartphone, or mobile tablet device as a platform 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 characteristics. The data readout is displayed on the computer, smartphone, or tablet display in a program or application we intend to create. We are designing the application software (the “App”) to have a graphical representation of control and indicator elements common in real instruments such as knobs, buttons, dials, and graphs, etc. Our developers are designing and implementing a soft control touch screen interface which supports real-time data monitoring and facilitates instrument control and operation.

Until March 31, 2016, we offered a full range of web services, including web marketing services, social and viral marketing campaigns, search engine optimization consulting, custom web design, website usability consulting and web analytics implementation. We generate our revenue from providing these services to small and medium sized businesses. We focused on providing one-off services, such as development of a fully functioning website or creation of a marketing strategy plan, to small business clients.

Through a merger with Perfecular Inc., we have strategically expanded our services to the manufacture and marketing of high-tech electronic devices. We sell handheld sensor systems and filters wholesaler to distribution platforms and are working on developing a universal sensor node and gateway system that use the data processing capabilities of a smartphone to display readings of multiple probe modules. We are also researching the development of an anti-counterfeit authentication technology that we believe could address the problem of counterfeit production by attempting to authenticate consumer goods.

On December 29, 2014, Xu Tang and Desheng Wang, two non-affiliates, acquired over 90% equity of the Company. That same date, the current officers and directors, Ms. Tatyana Popova resigned as Chief Executive Officer and President of the Company and Ms. Elena Ignatenko resigned as Treasurer, Secretary, Chief Financial Officer, principal accounting officer, and principal financial officer of the Company. Upon such resignations, Desheng Wang was appointed as the Chief Executive Officer and Secretary of the Company, Xu Tang was appointed as the President of the Company, Yan Chen was appointed as the Senior Vice President, and Messrs. Wang, Tang, and Chen accepted such appointments.

On October 21, 2015 Xu Tang entered into a stock purchase agreement whereby Mr. Tang collectively sold 3,260,000 shares of the Company’s Common Stock to eight unrelated persons using private funds to purchase the shares. This represented at the time 49.5% of the Company’s outstanding common stock and represented a material change in control of the Company’s ownership.

To the Company’s knowledge, there are no arrangements or understandings among members of both the former and new control groups and their associates with respect to election of directors or other matters.

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

Also effective as of October 21, 2015, Dr. Jennifer Gu and Dr. Edward Lee were appointed as directors of the Company, and Dr. Gu and Dr. Lee accepted such appointments. Thereupon, each of Xu Tang and Yan Chen resigned as directors of the Company. Accordingly, effective as of the 10th day after the accompanying Information Statement is filed with the Securities and Exchange Commission and transmitted to the shareholders of the Company, each of Dr. Jennifer Gu and Dr. Edward Lee would become members of the Board of Directors, and the entire Board of Directors would consist of Dr. Desheng Wang, Dr. Jennifer Gu, and Dr. Edward Lee.

In 2015, we leased a warehouse in Los Angeles County, California. We have relocated our headquarters to the Los Angeles area to expand our existing operations and grow the company. We subleased part of the warehouse space to Perfecular Inc., a related company that was majority-owned by Desheng Wang, one of our directors, officers, and control shareholders. In 2015, we acquired Perfecular.

## **Scientific Instrument Research, Development and Sales**

### **Industry Background and Overview**

Through our acquisition of Perfecular Inc., we entered into the scientific instrument industry, specifically the instrument sensor industry. Instrument sensors are devices specifically designed and constructed for sensing and measuring physical variables that are useful in: (i) industrial operations; (ii) environmental, commercial and medical applications; (iii) research and development in a variety of industries; and (iv) the daily lives of electronics consumers.

We believe that instrument sensors are important in modern science, having applications in both the industrial and educational fields. In recent years, significant progress has been made in instruments and instrumentation systems. The performance of measuring and monitoring instruments has improved considerably in the computer age. Analog instruments are used to indicate the magnitude of the quantity in the form of pointer movement. Digital instruments, on the other hand, specify the quantity in a digital format, they can be read easily, and are more accurate than the analog multi-meters, reducing interpolation and reading errors. Digital instruments offer significant advantages over analog devices. The auto-polarity function of digital devices prevents various problems. Parallax error which occurs when the pointer of an analog instrument is viewed from a different angle, which may cause users to see and read a different value are eliminated as well. Digital instruments are free from wear and potential shock failures because they have no moving parts. With the advancements in technology of integrated circuits, digital instruments are becoming increasingly compact and accurate. Key market players of analog and digital instruments include Thermo Fisher Scientific, Danaher Corporation, Mettler Toledo, Metrohm USA, Hanna Instruments, Agilent Technologies, and Perkin Elmer.

Most modern instruments are digital. They are designed for measuring various physical quantities in objects; and consist of the following functional components:

- Data acquisition. This is the process of sampling signals that measure real world physical conditions and converting the resulting samples into digital numeric values that can be manipulated by a microprocessor. The components of data acquisition systems include:
  - a. Sensors, to convert physical parameters to electrical signals;
  - b. Signal conditioning circuitry, to convert sensor signals into a form that can be converted to digital values;
  - c. Analog-to-digital converters, to convert conditioned sensor signals to digital values. It normally operates on conditioned signals, that is, signals that have already been filtered and amplified by analog circuits.
    - Storage and communication components. Application-specific input/output (I/O) components. In digital instrumentation systems, the transmission of data between devices is realized relatively easily by using serial or parallel transmission techniques.
    - Ancillaries such as displays and power supplies and application specific software.

Traditional hardware-centered instrumentation systems are made up of multiple stand-alone instruments that are interconnected to carry out a determined measurement or control an operation. They have fixed vendor-defined functionality, are very powerful and large, expensive, and cumbersome. They also require a lot of power, and often have excessive amounts of features that are not user friendly. Users generally cannot extend or customize them easily. The knobs and buttons on the instrument, the built-in circuitry, and the functions available to the user, are specific to the nature of the instrument.

Instrument inter-operability and connectivity allow the Ubiquitor to communicate and work with other instruments manufactured by different vendors, in a manner that requires the user to have little or no knowledge of the unique characteristics of those instruments. Traditional instruments, including traditional hardware-centered instrumentations and software centered virtual instrumentations, are specifically designed, constructed and refined to perform one or more specific tasks. Most of the instruments on the market come with a variety of connectivity technologies and do not have the built-in firmware or software to support the connectivity and inter-operability of instruments without drastically revising the application software across instrument brands. Unfortunately, while the instrument drivers simplify software development and maintenance, they did not address hardware obsolescence since each manufacturer has their own drivers and application and none are compatible, current applications are limited only to large, expensive test and measurement instruments.

A universal instrument is a versatile device which combines many individual instrument functions, sensors and probes in a single unit. It has a primary purpose, but also incorporates other instrument's functionalities. One instrument could perform many different measurements and control and substitute many other instruments. It utilizes a variety of probes to connect to the device for a wide variety of process measurement and control. A universal instrument offers superior sensor or probe compatibility, versatility, inter-operability, connectivity and scalability. Theoretically, it is feasible to design a universal instrument which is compatible with all sensors or probes on the market, and capable of monitoring and controlling any combination of sensors or probes.

Despite the undoubted usefulness of the universal instruments, one of the major obstacles that prevent the universal instruments from being adopted by end users is their cost. The cost of a \$10 traditional instrument, which incorporates the functions of a \$1000 instrument, may have to increase its cost to the order of \$1000. The end user who just needs a \$10 traditional instrument for his applications certainly does not have the motivation to spend \$1000 for functions he does not need. Functionality always needs to be balanced against cost. The knobs and buttons on the instrument, the built-in circuitry, and the functions available to the user, are specific to the nature of the instrument, making them very expensive and hard to adapt.

Smartphones and tablets have been considered recreational devices for communicating, playing games and streaming videos, but they are also one of the most powerful tools engineers use for designing, validating, and producing products. These ubiquitous smartphones perform better than most instrumentation in many fields. Because of their network connectivity, smartphones and tablets are great tools for remotely viewing measurements. However, their small size and processing power also makes them effective for portable measurements. The ubiquity of wireless connectivity combined with increasing functionality and the speed of connected devices and mobile networks will further drive consumer demand for more cost effective smartphone based instruments. Building an application for a smartphone or tablet and turning a smartphone or tablet to an instrument is not a trivial task. Many of the instrument manufacturers have limited or no expertise programming for mobile platforms and designing wireless hardware. To help instrument manufacturers take advantage of these smart devices, Perfecular Inc., has dedicated many years of research and development efforts into designing, manufacturing, marketing and promoting wireless smart technology and products.

Universal smart protocol focuses not only on the design of the hardware and software modules, but also on the design of the overall universal smart instruments system, guided by the structured, universal and modular principles. It is open to instrument manufacturers, software and hardware developers.

**Compatibility:** The compatibility in universal smart instrument system refers not only to the compatibility between the same types of instruments from different manufactures, but also to the compatibility between various instrument types. The full inter-operability and absolute instrument interchangeability was addressed in the protocol.

**Universality:** All functionalities of the traditional instruments are integrated into a single unit, allowing different data acquisition modules to execute on the same mobile platform. Thus, the interoperability between various sensors or probes can be achieved.

**Upgradeability:** The most traditional instrument interface is a unidirectional application, the instrument performs its task and transmits results to the interface device in one direction only. Many traditional instruments have been limited by design to unidirectional interfaces. They only perform monitoring tasks and share a majority of functions of the bi-directional controlling instruments, however, they cannot be upgraded to controllers. End users have to purchase a new controlling instrument for their applications. Taking advantage of the secure bi-directional wireless communications and interface supported by smartphones or mobile devices, universal smart instruments, which deliver data between the smartphone and sensors back and forth, can be readily modified or upgraded by adding the corresponding actuators for controlling applications. Sensors or probes measure the output performance of the device being controlled and give feedback to the input actuators that can make corrections towards the desired performance.

**Expandability and Scalability:** Similar to sensor network technology, universal smart instruments are more flexible than sensor networks. They can currently monitor and control a few hundreds of sensors or probes. They automatically identify and configure the corresponding graphical user interfaces. End users are free to add or removes sensors or probes. All communication protocols supported by smartphones are integrated in the software design including WI-FI, blue tooth, cellular network technology and wired form through the audio port on the smartphone.

Security: Universal smart instruments have the sensor security built-in data acquisition module and help companies meet sensor security requirements, preventing unauthorized users from accessing the sensor measurements and control. Unauthorized access of the universal smart instruments sensors is forbidden.

## **Our Approach to Measurement and Sensing**

We offer a different approach that links handheld devices and sensors with common smartphone computing power through an application on the smartphone in both IOS and Android devices. Tapping into the computing power of a smartphone enables a measurement device to increase its capabilities.

We also offer an array of traditional handheld meters through our wholesale distribution platform.

### *Filter and Handheld Meter Wholesaler*

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

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

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

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

*Digital light meter.* We provide a handheld digital light meter that is used to measure luminance in fc units, or foot-candles. The meter we sell is designed to be full cosine corrected for the angular incidence of light (meaning if you are not holding the sensor perpendicular to the light source, the sensor will still read the light correctly). The meter has a built-in low battery indicator and is designed to accurately measure to 40,000 FC.

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

### *Ubiquitor Wireless Universal Sensor Device*

Our “Ubiquitor,” device will be a handheld fully modular system with a universal sensor node and gateway system that will use a smartphone as the output display module that displays the readings of various probe modules. We have initial functioning prototype devices created and intend to develop this into full-scale production. The Ubiquitor will be a wireless sensor device that combines measuring tools with smartphone technology to quickly deliver sensor node data on desktop and mobile phone screens. The Ubiquitor’s sensor analytics system will integrate event-monitoring, storage and analytics software in a cohesive package that provides a holistic view of sensor data it is reading.

The physical hardware consists of:

1. The sensor probes, which come in hundreds of different varieties of sensor instruments in the form of a USB stick, with both male and female ports; and
2. The main hardware gateway, a small cell phone size device with integrated circuits.

This device can connect up to 2.5 kilometers of sensor instruments, and integrate data using embedded software to display the data and all analytics onto a digital screen (desktop or mobile displays) using a Wi-Fi connection. Most types of probes can connect to



the hardware. If the sensor size is bigger than the standard probe size, it is possible to simply use a USB cable to connect the probe and the hub. All data and analytics are displayed on a single screen, with tools that record and keep track of all measurements, and sort and display analytic information in easy to read charts.

The Ubiquitor is a general platform that collects data in real time, up to 100hz per second, and thus is intended to be adapted to many industry uses.

The Ubiquitor is a multipurpose wireless intelligent sensor device. Its greatest advantage is universal compatibility. Currently, the Ubiquitor device could simultaneously accommodate more than 256 different types of sensor heads. Therefore, users could use their smartphones to simultaneously operate and monitor over 256 kinds of sensor readings. With Perfecular's technology, users only need to obtain the sensor heads, facilitating ease and convenience of use. Using a smartphone, users can collect and analyze data in real time.

By using the smartphone as a substitute platform, we believe we will achieve the following efficiencies:

1. **Cut production costs.** Smartphone technology will advance and become more widely used than the vast majority products on the small sensor device market. By utilizing smartphone technology, the Ubiquitor will add superior functionality and performance, improve the product's quality and cutting production costs
2. **Reduce the effort required to develop a new sensor product.** With the Ubiquitor, we believe that there will be no need for device manufacturers to research and develop the new monitoring and operating components because they will just need to develop new sensor heads based on our software technology.
3. **Reduce clutter.** It is anticipated that the Ubiquitor dispenses with the hassle of hooking up cables, since it is based on wireless transmission of data.

### Strategy

#### Strategy and Marketing Plan

We have designed, manufactured, marketed and distributed our electronic measurement devices, such as temperature humidity meters, digital meters, quantum PAR meters, pH meters, TDS meters and CO2 monitors, for many years and have many loyal customers. The universal smart technology has been applied to our existing traditional devices and demonstrated functionality and hardware cost savings. We believe we have achieved hardware cost savings in the range of 70% to 90%. Prototypes were sent to our customers for demonstrations and evaluation. Currently, we are in the stage of producing a pilot manufacturing run. The first round of pilot production was completed in May, 2016. The second round of pilot production was completed in July 2016.

Smartphones are an integral part of our wireless universal smart technology system. Both wireless and wired communication connectivity are used and targeted on different applications. In wired connectivity, the data acquisition module is connected through the audio port in the smartphone. The smartphone is used to replace a traditional instrument. Compared with the wireless solution, the wireless communication module or even the power supply used for data acquisition module are eliminated in the design, as a consequence of this some hardware costs are saved. End users are not able to access the sensors or probes remotely. We believe that the instruments based on wired universal smart technology are not as convenient as their wireless counterparts. Currently, in the industry, however, wired instruments are cheaper.

We believe that being the first ones in the market provides a significant and sustained market-share advantage over later competitors. We first focus on our existing instruments and convert them to universal smart devices and market them to our existing customers.

We are putting together an internal sales team with the proceeds of the offering in order to get established for the marketing efforts.

We believe that wireless universal smart technology will play a critical role for traditional instrument manufacturers, as it is too expensive and difficult to develop for medium or smaller companies. The cost factor is the first consideration when deciding whether a company wants to develop smart wireless technologies and implement them in their products. There are hundreds of thousands of instrument manufacturers and trillion-dollar revenues for this industry in China. We plan to open a sales department in China dedicate to promoting our technologies to local instrument manufacturers.

Smartphones have been seamlessly integrated into our daily life. A large number of functions and services have become accessible to the masses through the use of smart phones. The proliferation of the smartphone and its user-friendly interface, which allows access to digital information, will cause these devices to become a crucial part of our wireless universal smart instruments.

Our goals over the next three years include:

- Raise capital to move to full manufacturing and production for our Ubiquitor device;

- Partner with manufacturers and promote the adoption of our Ubiquitor platform;
- Acquire a stable market share of the handheld wireless sensor device market;
- Continue to develop market share in our wholesale distribution of sensors and filters; and
- Utilize our internet marketing strategies to market our handheld sensors and filters.

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

- Position the Ubiquitor product as the industry standard in universal wireless 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.

### **Distribution Method**

We intend to continue to engage in relationships with Chinese manufacturers and then distribute our products to distributors and retailers directly from the Chinese manufacturers and then we intend to distribute the Ubiquitor by selling directly to traditional instrument manufacturers. We believe that traditional instrument manufacturers will adopt this technology since the Ubiquitor device is intended to consolidate various other sensors.

We intend to manufacture and market the Ubiquitor and sell it directly to consumers or distributors using internet marketing and also using channels such as Amazon.com and to launch the product through crowdfunding sites like indiegogo and kickstarter.com. We also intend to establish a marketing department overseas in China.

### **Raw Materials**

The electronic components used in the Ubiquitor are common and can be easily purchased. Production and assembly lines are also available worldwide.

### **Manufacturing and Production**

We have a limited production facility in California where small and medium sized circuit board production can take place until we have enough sales to convert manufacturing to a large-scale manufacturing facility in China, where we have key strategic relationships with manufacturing facilities.

### **Competitors**

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

Hach developed and launched SC1000 Multi-parameter Universal Controller, a probe module for connecting up to 8 SC sensors and their products are not compatible with smart phones yet and we believe their price-point is still prohibitive to consumers.

Monnit Corporation offers a range of wireless or remote sensors. Many of Monnit's products are web-based wireless sensors usually are not portable because of the power consumption. Also, the sensors real-time updates are slow and we believe security of the web-based sensor data acquisition also may be a concern. In addition to purchasing the device, consumers usually have to pay monthly fee for using web-based services.

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

### **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 U.S. Patent and Trademark Office. We hope this full patent application protects the Ubiquitor universal sensor device. It is anticipated that the publication will occur on July 20, 2017. We do not own, either legally or beneficially, any trademarks.

### **Research and Development Activities**

Other than time spent researching our proposed business we have not spent any funds on research and development activities to date. We do not currently plan to spend any funds on research and development activities in the future.

## **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 Annual Report we have seven full-time and two part-time employees, the Company's officers, our President Dr. Edward Lee, our Chief Executive Officer and Secretary Desheng Wang. Our officers and directors are responsible for planning, developing and operational duties, and will continue to do so throughout the early stages of our growth. Our seven full-time employees are working in the warehouse orchestrating the development and distribution of our handheld sensor devices as well as our filters.

## **Reports to Securities Holders**

We provide an Annual Report that includes audited financial information to our shareholders. We will 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 Securities Exchange Act of 1934. 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, ("SEC"), 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**

***We lack an operating history. There is no assurance our future operations will result in profitable revenues. If we cannot generate sufficient revenues to operate profitably, our business will fail.***

We were incorporated on December 4, 2012, and as of December 31, 2015 have realized \$53,898 in revenues, incurred \$21,775 in cost of revenue and \$244,216 in operating costs since inception (December 4, 2012). As of December 31, 2015, we had deficit accumulated during the development stage of \$216,810. We have a limited operating history upon which an evaluation of our future success or failure can be made. Based upon current plans, we expect to continue generating revenues. However, our revenues may not be sufficient to cover our operating costs. We cannot guarantee that we will be successful in generating significant revenues in the future. Failure to achieve a sustainable sales level will cause us to go out of business.

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

We may ultimately require up to \$20 million to fund the manufacturing and marketing strategy for our product. 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 fairly easily, while our product and service matures, and the Company becomes better known, we will seize the high-end market. None of this will be possible if we fail to obtain the funding we require.

***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 our President Edward Lee.

If any of our directors and officers will 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. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay our plan of operations and harm our ability to provide services to our current customers and harm the market's perception of us.

***We outsourced our product manufacturing and procurement, decreasing quality and reliability and protectability***

We have fully outsourced all manufacturing and 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. It also creates liability in that we could lose control of our intellectual property that is not properly protected.

***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 a number of factors, including:

- Our ability to generate significant sales and profit margin from the Ubiquitor device;
- Worldwide market conditions and demand for web services, 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 sustain profits in the future.

***Our Ubiquitor Product could fail to gain traction in the marketplace for a number of reasons that would adversely impact our financial results and cause our investors to lose money.***

Future successful sales of our Ubiquitor entail numerous risks such as:

- Any lack of market acceptance of the Ubiquitor;
- Failure to maintain acceptable arrangements with product suppliers, particularly in light of 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.

In order 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.

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

There is a risk that the market will not receive the smartphone technology, which we will be using as our platform. The vast majority of 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 platform 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 WIFI 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.

***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.

***The lack of public company experience of our management team could adversely impact our ability to comply with the reporting requirements of U.S. securities laws.***

Dr. Wang lacks public company experience, which could impair our ability to comply with legal and regulatory requirements such as those imposed by Sarbanes-Oxley Act of 2002. Our CEO and CFO have never been responsible for managing a publicly traded company. Such responsibilities include 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.

***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.***

Our President Mr. Desheng Wang is currently involved in other businesses and not obligated to commit his time and attention exclusively to our business and, accordingly, he may encounter conflicts of interest in allocating his own time, or any business opportunities that he may encounter, between our operations and those of other businesses. Furthermore, if the execution of our business plan demands more time than is currently committed by him, he will be under no obligation to commit such additional time, and his failure to do so may adversely affect our ability to carry on our business and successfully execute our business plan.

Another example of a conflict of interest is so called “self-dealing” transactions. The director of Perfecular is dealing with himself, and may not reach an agreement that is fair to the company, e.g. his remuneration for serving as officer of the Company. 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. The burden is on the shareholder to show lack of entire fairness. Otherwise, the transaction is considered invalid if challenged, unless the director proves in court that the transaction is entirely fair to the company. The burden is on the director to show entire fairness.

If, as a result of before mentioned conflicts, we are 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 we become 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 do not have any actual or potential conflict of interests with our consultants or advisors.

***We do not have a majority of independent directors on our Board and the Company has not voluntarily implemented various corporate governance measures, in the absence of which stockholders may have more limited protections against interested director transactions, conflicts of interest and similar matters.***

Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence, audit committee oversight, and the adoption of a code of ethics. We have not yet adopted any of these other corporate governance measures and since our securities are not yet listed on a national securities exchange, we are not required to do so. Our Board of Directors is comprised of one individual. As a result, we do not have independent directors on our Board of Directors.

We have not adopted corporate governance measures such as an audit or other independent committee of our Board of Directors, as we presently do not have independent directors on our board. If we expand our board membership in future periods to include additional independent directors, we may seek to establish an audit and other committee of our board of directors. It is possible that if our Board of Directors included independent directors and if we were to adopt some or all of these corporate governance measures, stockholders would benefit from somewhat greater assurance that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. For example, at present in the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages or employment contracts to our officers are made by a director who has an interest in the outcome of the matters being decided.

However, as a general rule, the Board of Directors, in making its decisions, determines first that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties. The Company executes the transaction between executive officers once approved by the Board of Directors.

Prospective investors should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

**We have concluded that we have not maintained effective internal control over financial reporting through the year ended December 31, 2016. 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.

For a discussion of our internal control over financial reporting and a description of the identified material weakness, see "Management's Report on Internal Control Over Financial Reporting" included in Item 9A of this Report. 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. We plan to implement a number of remediation steps to address the material weakness as described in Item 9A of this Report. 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.

***We currently have identified significant deficiencies in our internal control over financial reporting that, if not corrected, could result in material misstatements of our financial statements.***

In connection with the audit of our financial statements as of and for the year ended March 31, 2016, we identified significant deficiencies in our internal control over financial reporting and a general understanding of accounting principles generally accepted in the United States of America ("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 the deficiency, we believe that it is possible that certain control deficiencies may have been identified if such an evaluation had been performed.

We are working to remediate the deficiencies or material weaknesses. We have taken steps to enhance our internal control environment and plan to take additional steps to remediate the material weaknesses. Specifically:

- We have hired additional outside consultants and will fire unqualified 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 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 necessary information to enable us to more effectively monitor and comply with applicable filing requirements on a timely basis; and
- We are in the process of documenting, assessing and testing our internal control over financial reporting as part of our efforts to comply with Section 404 of the Sarbanes-Oxley Act.

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.

***We do not have a majority of independent directors on our Board and the Company has not voluntarily implemented various corporate governance measures, in the absence of which stockholders may have more limited protections against interested director transactions, conflicts of interest and similar matters.***

Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence, audit committee oversight, and the adoption of a code of ethics. We have not yet adopted any of these other corporate governance measures and since our securities are not yet listed on a national securities exchange, we are not required to do so. Our Board of Directors is comprised of three individuals, all of whom are also our executive officers. As a result, we do not have independent directors on our Board of Directors.

We have not adopted corporate governance measures such as an audit or other independent committee of our Board of Directors, as we presently do not have independent directors on our board. If we expand our board membership in future periods to include additional independent directors, we may seek to establish an audit and other committee of our Board of Directors. It is possible that if our Board of Directors included independent directors and if we were to adopt some or all of these corporate governance measures, stockholders would benefit from somewhat greater assurance that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. For example, at present in the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages or employment contracts to our senior officers are made by a majority of directors who have an interest in the outcome of the matters being decided.

However, as a general rule, the Board of Directors, in making its decisions, determines first that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

Prospective investors should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

***Because one of our Directors, who is also our sole promoter, owns over 49% of our outstanding common stock he could make and control corporate decisions that may be disadvantageous to other minority shareholders.***

One of our Directors owns over 49% of the outstanding shares of our common stock as of the date of this reporting. Accordingly, 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.

***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.***

Management currently beneficially owns a majority of our outstanding common stock. Consequently, management has the ability to 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.

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

As of March 28, 2016, we had 34,574,706 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 your proportionate ownership and voting power.

***None of the members of our Board of Directors are considered audit committee financial experts. 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. Finally, we have not established an Audit Committee of our Board of Directors.

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. 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. The 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.

***The Company is subject to the 15(d) reporting requirements under the Securities Exchange Act of 1934, which does not require a company to file all the same reports and information as fully reporting company.***

Pursuant to Section 15(d), we are required to file periodic reports with the SEC, such as annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, once our registration statement is declared effective, including the annual report on Form 10-K for the fiscal year during which the registration statement is declared effective. That filing obligation will generally apply even if our reporting obligations have been suspended automatically under section 15(d) of the Exchange Act prior to the due date for the Form 10-K.

After that fiscal year and provided the Company has less than 300 shareholders, the Company is not required to file these reports. If the reports are not filed, the investors will have reduced visibility as to the Company and its financial condition. In addition, as a filer subject to Section 15(d) of the Exchange Act, the Company is not required to prepare proxy or information statements; our common stock will not be subject to the protection of the going private regulations; the Company will be subject to only limited portions of the tender offer rules; our officers, directors, and more than ten (10%) percent shareholders are not required to file beneficial ownership reports about their holdings in our Company; that these persons will not be subject to the short-swing profit recovery provisions of the Exchange Act; and that more than five percent (5%) holders of classes of your equity securities will not be required to report information about their ownership positions in the securities.

***We will not be required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act until the end of the second fiscal year reported upon in our second annual report on Form 10-K.***

The Sarbanes-Oxley Act of 2002 and the new rules subsequently implemented by the Securities and Exchange Commissions, the Financial Industry Regulatory Authority ("FINRA") and the Public Company Accounting Oversight Board have imposed various new requirements on public companies, including requiring changes in corporate governance practices.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. These costs could affect profitability and our results of operations.

We are in the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404. We will not be required to conduct the evaluation of effectiveness of our internal controls until the end of the fiscal

year reported upon in our second annual report on Form 10-K. In addition, because we are a smaller reporting company, we are not required to obtain the auditor attestation of management's evaluation of internal controls over financial reporting. If we obtain and disclose such reports we could continue doing so at our discretion so long as we remain a smaller reporting company.

This process of internal control evaluation and attestation may divert internal resources and will take a significant amount of time, effort and expense to complete. If it is determined that we are not in compliance with Section 404, we may be required to implement new internal control procedures and re-evaluate our financial reporting. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results, which could adversely affect our ability to comply with our periodic reporting obligations under the Exchange Act.

***There is a very limited public (trading) market for our common stock and; therefore, our investors may not be able to sell their shares.***

Our common stock is listed on the over-the-counter exchange, and is thinly traded. As a result, stockholders may be unable to liquidate their investments, or may encounter considerable delay in selling shares of our common stock. If an active trading market does develop, the market price of our common stock is likely to be highly volatile due to, among other things, the nature of our business and because we are a new public company with a limited operating history. Further, a few individual stockholders dominate our shares. The limited trading volume subjects the price of our common stock to manipulation by one or more stockholders and will significantly limit the number of shares that one can purchase or sell in a short period of time. The market price of our common stock may also fluctuate significantly in response to the following factors, most of which are beyond our control:

- variations in our quarterly and annual operating results;
- changes in general economic conditions;
- changes in technologies favored by consumers;
- price competition or pricing changes by us or our competitors; and
- the addition or loss of key managerial and collaborative personnel.

The equity markets have, on occasion, experienced significant price and volume fluctuations that have affected the market prices for many companies' securities and that have often been unrelated to the operating performance of these companies. Any such fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. As a result, stockholders may be unable to sell their shares, or may be forced to sell them at a loss.

***Our common stock has not been widely traded, and the price of our common stock may fluctuate substantially.***

To date, there has been a limited public market for shares of our common stock, with limited trading. An active public trading market may not develop or, if developed, may not be sustained. The current market price of our common stock and any possible subsequent listing on another larger securities exchange, if and when we are successful in doing so, will be affected by a number of factors, including those discussed above.

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

If our existing stockholders sell substantial amounts 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 34,574,706 shares of our common stock outstanding, of which approximately 610,000 shares are currently freely tradable. We may in the future issue and register additional shares of our common stock that might be freely transferable at the time of such transaction.

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.

***You may face significant restrictions on the resale of your shares due to state "blue sky" laws.***

Each state has its own securities laws, often called “blue sky” laws, which (1) limit sales of securities to a state’s residents unless the securities are registered in that state or qualify for an exemption from registration, and (2) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or it must be exempt from registration. The applicable broker-dealer must also be registered in that state.

We do not know whether our securities will be registered or exempt from registration under the laws of any state. A determination regarding registration will be made by those broker-dealers, if any, who agree to serve as market makers for our common stock. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our securities. You should therefore consider the resale market for our common stock to be limited, as you may be unable to resell your shares without the significant expense of state registration or qualification.

***Focus Universal is an “emerging growth company” under the Jumpstart Our Business Startups Act. We cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our shares of common stock less attractive to investors.***

Focus Universal is and will remain an “emerging growth company” until the earliest to occur of (a) the last day of the fiscal year during which its total annual revenues equal or exceed \$1 billion (subject to adjustment for inflation), (b) the last day of the fiscal year following the fifth anniversary of its initial public offering, (c) the date on which Focus Universal has, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities, or (d) the date on which Focus Universal is deemed a “large accelerated filer” (with at least \$700 million in public float) under the Securities and Exchange Act of 1934 (the “Exchange Act”).

For so long as Focus Universal remains an “emerging growth company” as defined in the JOBS Act, it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” as described in further detail in the risk factors below. Focus Universal cannot predict if investors will find its shares of common stock less attractive because Focus Universal will rely on some or all of these exemptions. If some investors find Focus Universal’s shares of common stock less attractive as a result, there may be a less active trading market for its shares of common stock and its stock price may be more volatile.

If Focus Universal avails itself of certain exemptions from various reporting requirements, its reduced disclosure may make it more difficult for investors and securities analysts to evaluate Focus Universal and may result in less investor confidence.

The recently enacted JOBS Act is intended to reduce the regulatory burden on “emerging growth companies”. Focus Universal meets the definition of an “emerging growth company” and so long as it qualifies as an “emerging growth company,” it will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to shareholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO’s compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, Focus Universal is choosing to “opt out” of such extended transition period, and as a result, Focus Universal will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that its decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Notwithstanding the above, we are also currently a “smaller reporting company”, meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than \$75 million and annual revenues of less than \$50 million during the most recently completed fiscal year.

In the event that we are still considered a “smaller reporting company”, at such time are we cease being an “emerging growth company”, we will be required to provide additional disclosure in our SEC filings. However, similar to “emerging growth

companies”, “smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; are not required to conduct say-on-pay and frequency votes until annual meetings occurring on or after January 21, 2013; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as an “emerging growth company” or “smaller reporting company” may make it harder for investors to analyze the Company’s results of operations and financial prospects.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **Item 2. PROPERTIES**

We entered into a two-year Lease Agreement in a multi-tenant warehouse facility in Los Angeles County whereby we pay \$7,699 per month starting on April 20, 2015 to April 30, 2017. On May 1, 2016, the monthly lease payment increased to \$7,930 per month.

#### **Item 3. LEGAL PROCEEDINGS**

We are not currently a party to any legal proceedings, and we are not aware of any pending or potential legal actions.

#### **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 September 23, 2014, our common stock was verified for trading on OTCQB 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 OTCQB for the four quarters of 2015 and for the four quarters of 2016.

	High	Low
2015: First Quarter	\$ 2.00	\$ 0.05
2015: Second Quarter	\$ 3.05	\$ 1.50
2015: Third Quarter	\$ 3.05	\$ 3.00
2015: Fourth Quarter	\$ 3.05	\$ 3.50
2016: First Quarter	\$ 1.50	\$ 1.50
2016: Second Quarter	\$ 1.50	\$ 1.50
2016: Third Quarter	\$ 1.50	\$ 1.50
2016: Fourth Quarter	\$ 1.50	\$ 1.50

##### **Holders.**

As of March 20, 2017, there were 52 record holders (including our two directors) of 34,574,706 shares of the Company's common stock. At December 31, 2016, there were 52 record holders (including our two directors) of 34,574,706 shares of the Company’s common stock.

##### **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.

##### **Securities Authorized for Issuance Under Equity Compensation Plans**

None.

### **Recent sales of unregistered securities.**

On September 30, 2013 we completed an offering of 4,000,000 shares of our common stock at a price of \$0.001 per share to our former Directors Tatyana Popova (2,000,000), and Elena Ignatenko (2,000,000). The total amount received from this Offering was \$4,000. We completed this offering pursuant to Regulation S of the Securities Act.

The offer and sale of all shares of our common stock listed above were affected in reliance on the exemptions for sales of securities not involving a public offering, as set forth in Regulation S promulgated under the Securities Act.

The investor acknowledged the following: subscriber is not a United States Person, nor is the subscriber acquiring the shares directly or indirectly for the account or benefit of a United States Person. None of the funds used by the subscriber to purchase the units have been obtained from United States Persons. For purposes of the Subscription Agreement, “United States Person” within the meaning of U.S. tax laws, means a citizen or resident of the United States, any former U.S. citizen subject to Section 877 of the Internal Revenue Code, any corporation, or partnership organized or existing under the laws of the United States of America or any state, jurisdiction, territory or possession thereof and any estate or trust the income of which is subject to U.S. federal income tax irrespective of its source, and within the meaning of U.S. securities laws, as defined in Rule 902(o) of Regulation S, means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if organized under the laws of any foreign jurisdiction, and formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) who are not natural persons, estates or trusts. Since that time we have had no sales of unregistered securities.

### **Issuer Purchases of Equity Securities**

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

### **Item 6. SELECTED FINANCIAL DATA**

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 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 or not 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 on our behalf. We disclaim any obligation to update forward-looking statements.*

### **Narrative Description of the Business**

Focus Universal Inc. (“the Company”, “we”, “us” or “our”) currently conducts business as a handheld sensor systems and filters wholesaler to distribution platforms. We are working on developing a universal sensor node and gateway system that use the data processing capabilities of a smartphone to display readings of multiple probe modules. We are also researching the development of an anti-counterfeit authentication technology that we believe could address the problem of counterfeit production by attempting to authenticate consumer goods.

Through a merger with Perfecular Inc., we strategically expanded our business to the manufacture and marketing of high-tech electronic devices. We realized that Internet marketing would not be sufficient to generate sales of our products, particularly the Ubiquitor product. We are going to focus on all types of marketing, particularly marketing directly to established consumer distributions retailers. For this reason, during the first quarter of 2016 we decided to emphasize our sales of handheld sensors and air filters and discontinue our marketing and advertising business segment. Through the development and creation of our Ubiquitor device, we anticipate that sales and marketing involved with bringing this product to market will require us to hire a number of new employees in order to gain traction in the market as well as continue to expand such sales of our existing sensor and air filter products.

#### **Our current services include:**

##### *Scientific Instrument Research and Development and Sales*

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

##### *A New Approach to Measurement and Sensing*

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

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

##### *Filter and Handheld Meter Wholesaler*

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

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

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

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

*Digital light meter.* We provide a handheld digital light meter that is used to measure luminance in fc units, or foot-candles. The meter we sell is designed to be full cosine corrected for the angular incidence of light (meaning if you are not holding the sensor perpendicular to the light source, the sensor will still read the light correctly). The meter has a built-in low battery indicator and is designed to accurately measure to 40,000 FC.

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

##### *Ubiquitor Wireless Universal Sensor Device*

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

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

The physical hardware consists of:

1. The sensor probes, which come in hundreds of different varieties of sensor instruments in the form of a USB stick, with both male and female ports; and
2. The main hardware gateway, a small cell phone size device with integrated circuits.

This device is intended to connect up to 2.5 kilometers of sensor instruments, and integrate data using embedded software to display the data and all analytics onto a digital screen (desktop or mobile displays) using multiple types of wireless connections (i.e., Wi-Fi, Bluetooth, 3G and 4G). Most types of probes can connect to the hardware. If the sensor size is bigger than the standard probe size, it is possible to simply use a USB cable to connect the probe and the hub. All data and analytics are displayed on a single screen, with tools that record and keep track of all measurements, and sort and display analytic information in easy to read charts.

The Ubiquitor is a general platform that collects data in real time, up to 100hz per second, and thus is intended to be adapted to many industry uses.

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

### Intellectual Property Protection

On November 4, 2016 we filed a U.S. patent application number 15/344,041 with the U.S. Patent and Trademark Office. We hope this full patent application protects the Ubiquitor universal sensor device. It is anticipated that the publication will occur on July 20, 2017. We do not own, either legally or beneficially, any trademarks.

### Competitors

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

Hach developed and launched SC1000 Multi-parameter Universal Controller, a probe module for connecting up to 8 SC sensors and their products are not compatible with smart phones yet and we believe their price-point is still prohibitive to consumers.

Monnit Corporation offers a range of wireless or remote sensors. Many of Monnit’s products are web-based wireless sensors usually are not portable because of the power consumption. Also, the sensors real-time updates are slow and we believe security of the web-based sensor data acquisition also may be a concern. In addition to purchasing the device, consumers usually have to pay monthly fee for using web-based services.

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

### Market Potential

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

## Results of Operations

*For the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015 (unaudited)*

### *Revenue, cost of sales and gross profit*

Our consolidated gross revenue for the twelve months ended December 31, 2016 and 2015 was \$337,496 and \$17,848, respectively. Our cost of revenues for the twelve months ended December 31, 2016 and 2015 was \$57,128 and \$7,775, respectively, resulting in a gross profit of \$280,368 and \$10,073 for the twelve months ended December 31, 2016 and 2015, respectively.

For the twelve months ended December 31, 2015, we only generated revenue from search engine optimizing consulting, internet campaign planning and social media consulting. For twelve months ended December 31, 2016, besides our digital marketing business, we also generated significant amount of revenue from sales of broad selection of garden equipment which was the primary business for Perfecular and is now our primary business.

We hired an independent third party contractor who performed web development beginning in the first quarter of 2015. This service was terminated on April 30, 2016 as we discontinued offering digital marketing services.

The increase in revenue is primarily driven by the sales from Perfecular of \$335,716 for twelve months ended December 31, 2016. Since the acquisition of Perfecular on December 30, 2015, our revenues have increased and we believe that such revenues could continue to increase as we continue to market and sell our products.

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

### *Operating Expenses*

The major components of our operating expenses for the twelve months ended December 31, 2016 and 2015 are outlined in the table below:

	(Audited) Twelve Months Ended December 31, 2016	(Audited) Nine Months Ended December 31, 2015	(Unaudited) Three Months Ended March 31, 2015	Increase (Decrease)
General and administrative	\$ 257,375	\$ 45,517	\$ 6,086	\$ 205,722
Compensation - officers	121,385	—	—	121,385
Professional fees	142,956	71,153	27,785	44,018
Research and development	201,899	—	—	201,899
	<u>\$ 723,615</u>	<u>\$ 116,670</u>	<u>\$ 33,871</u>	<u>\$ 573,074</u>

The increase in our operating costs for twelve months ended December 31, 2016, compared to twelve months ended December 31, 2015, was due to an increase in expenses related to implementation of our business plan, research and development, officer compensation, and professional fees. General and administrative expenses of \$257,375 represent office rent \$67,700 (December 31, 2015: \$25,409), employees' salary expenses of \$101,880 (December 31, 2015: \$0), and payroll tax expenses of \$36,547 (December 31, 2015: \$0). Officer's compensation expenses of \$121,385 (December 31, 2015: \$0). Professional fees represent audit and accounting fees of \$78,754 (December 31, 2015: \$20,950) and legal fees of \$64,202 (December 31, 2015: \$77,988). Research and development expenses of \$201,899 (December 31, 2015: \$0).

### *Net Losses*



During the twelve months ended December 31, 2016 and 2015, we incurred net losses of \$440,905 and \$145,186, respectively, due to the factors discussed above.

## Liquidity and Capital Resources

### Working Capital

	As of December 31, 2016	As of December 31, 2015
Current Assets	\$ 488,763	\$ 1,005,437
Current Liabilities	\$ (431,438)	\$ (499,656)
Working Capital (Deficit)	\$ 57,325	\$ 505,781

### Cash Flows

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

	(Audited) For the twelve months ended December 31, 2016	(Audited) For the nine months ended December 31, 2015	(Unaudited) For the three months ended March 31, 2015
Cash provided by (used in) operating activities	\$ (399,323)	\$ 123,313	\$ (42,131)
Cash used in investing activities	(8,239)	(1,640)	—
Cash provided by (used in) financing activities	(82,902)	632,335	120,000
Net increase (decrease) in cash	(490,464)	754,008	77,869

Due to the merger with Perfecular Inc. we anticipate that for the next twelve months we will be generating cash from more diversified revenue stream as mentioned under Item 1, Company Background. We believe that our cash generated from operations and cash on hand will provide sufficient capital to fund our operations and meet our cash needs on a short term and long-term basis for the next twelve months. We intend to finance our internal growth with cash on hand, cash provided from operations, borrowings, debt or equity offerings, or some combination thereof to expand our business so that we can meet our cash needs.

### ***Cash Flows from Operating Activities***

Our cash flows from operating activities represent the most significant source of funding for our operations. The primary use of our operating cash include funding general operating expenses (marketing, travel, legal and professional expenses, and office rent) and cost of revenues. Our cash provided by operating activities generally follows the trend in our net revenues and operating results.

Our net cash generated by operating activities of \$(399,323) for the twelve months ended December 31, 2016 was primarily the result of our net loss of \$440,905 largely offset for cash flow purposes by changes in our operating assets and liabilities. These changes include an increase in accounts receivable of \$70,993, prepaid expense of \$6,999, accounts payable and accrued liabilities of \$95,511, and depreciation expense of \$1,130; and a reduction in inventories of \$53,258, customer deposits of \$82,303, and deferred rent of \$443. The increase in accounts receivable, inventories, accounts payable and accrued expense, and customer deposit was due to the merger with Perfecular Inc. on December 31, 2015. The increase of prepaid expenses was due to the payment of \$10,000 annual fees to OTC Markets Group Inc. that covers a period from September 1, 2016 to August 31, 2017. As of December 31, 2016, the Company expensed a portion of these fees in the amount of \$3,333. The increase in deposits was due to security deposits paid for sub-lease agreement with a tenant.

The net cash used in operating activities of \$81,182 for the twelve months ended December 31, 2015 was primarily the result of our net loss of \$145,186, and changes in our operating assets and liabilities. These changes include an increase in customer deposit of \$140,029, and accounts payable and accrued liabilities of \$288,148; a reduction in accounts receivable to a related party of \$106,889, inventories of \$51,574, and deposits of \$24,726.

We expect that cash provided by (used in) operating activities may fluctuate in future periods as a result of a number of factors including fluctuations in our net revenues and operating results, utilization of new revenue streams, collection of accounts receivable, and timing of billings and payments.

### ***Cash Flows from Investing Activities***

The net cash used in investing activities of \$8,239 and \$1,640 for the twelve months ended December 31, 2016 and 2015, respectively, represents funds used to purchase furniture for the Company.

### ***Cash Flows from Financing Activities***

Perfecular borrowed a loan of \$63,369 during the twelve months ended December 31, 2015, from a related party entity, Vitashower, Corp., which is under common ownership and management. The loan was repaid during the twelve months ended December 31, 2016.

On December 30, 2015, the Company issued 27,994,706 shares of common stock to shareholders of Perfecular Inc. to acquire all of the issued and outstanding shares of Perfecular's common stock in 47.6333 to one exchange ratio. Total proceeds received from this transaction amounted to \$669,433.

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

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### **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**  
**AS OF DECEMBER 31, 2016, AND 2015, AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016, AND**  
**2015**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and  
Stockholders of Focus Universal Inc.

We have audited the accompanying balance sheets of Focus Universal Inc. as of December 31, 2016 and 2015, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2016 and nine months ended December 31, 2015. Focus Universal Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Focus Universal Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the year ended December 31, 2016 and nine months ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/S/ DYH & Company

Irvine, California  
March 22, 2017

**FOCUS UNIVERSAL INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 340,073	\$ 832,013
Accounts receivable	35,896	106,889
Inventories	104,832	51,574
Prepaid expenses	7,962	14,961
Total Current Assets	<u>488,763</u>	<u>1,005,437</u>
Property and equipment, net	8,517	1,408
Other assets:		
Deposits	<u>24,726</u>	<u>24,726</u>
Total assets:	<u><u>\$ 522,006</u></u>	<u><u>\$ 1,031,571</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 372,912	\$ 275,925
Customer deposit	57,726	140,029
Loan from related party	—	63,369
Loan from stockholders	—	19,533
Income taxes payable	800	800
Total Current Liabilities	<u>431,438</u>	<u>499,656</u>
Non-current Liabilities		
Deferred rent	<u>468</u>	<u>911</u>
Total Liabilities	431,906	500,567
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, par value \$0.001 per share, 75,000,000 shares authorized; 34,574,706 shares issued and outstanding as of December 31, 2016 and 2015, respectively	34,575	34,575
Additional paid-in capital	713,239	713,239
Accumulated deficit	<u>(657,714)</u>	<u>(216,810)</u>
Total stockholders' equity	<u>90,100</u>	<u>531,004</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 522,006</u></u>	<u><u>\$ 1,031,571</u></u>

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

**FOCUS UNIVERSAL INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Twelve months ended December 31, 2016 (Audited)	Nine months ended December 31, 2015 (Audited)	Three months ended March 31, 2015 (Unaudited)
Revenue	\$ 337,496	\$ 17,848	\$ —
Cost of Revenue	<u>57,128</u>	<u>6,075</u>	<u>—</u>
Gross Profit	280,368	11,773	—
Operation Expenses:			
Compensation - officers	121,385	—	—
Research and development	201,899	—	—
Professional fees	142,956	71,153	27,785
General and administrative	<u>257,365</u>	<u>45,517</u>	<u>7,786</u>
Total Operating Expenses	723,605	116,670	(35,571)
Loss from Operations	(443,237)	(104,897)	(35,571)
Other Income (Expense)			
Interest expense, net	(203)	(3,918)	—
Other income	5,736	—	—
Other expense	<u>(1,600)</u>	<u>—</u>	<u>—</u>
Total other income (expense)	3,933	(3,918)	—
Loss before income taxes	(439,304)	(108,815)	(35,571)
Income tax provision	<u>1,600</u>	<u>800</u>	<u>—</u>
Net Loss	<u>\$ (440,904)</u>	<u>\$ (109,615)</u>	<u>\$ (35,571)</u>
Net Loss per common share			
Basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)*</u>
Weight Average Number of Common Shares Outstanding - Basic and Diluted	<u>34,574,706</u>	<u>6,681,799</u>	<u>6,580,000</u>

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

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

**FOCUS UNIVERSAL INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE PERIOD FROM MARCH 31, 2014 TO DECEMBER 31, 2016**

<b>Description</b>	<b>Common stock</b>		<b>Common Stock Subscription</b>	<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>				
Balance - March 31, 2014 - audited	4,000,000	\$ 4,000	\$ 3,000	\$ –	\$ (22,854)	\$ (15,854)
Common stock issued for cash at \$0.0125 per share	2,580,000	2,580	–	29,670	–	32,250
Common stock subscription at \$0.0125 per share	–	–	(3,000)	–	–	(3,000)
Forgiveness of advances from former stockholders and accrued compensation officers	–	–	–	42,131	–	42,131
Net loss for the year	–	–	–	–	(84,341)	(84,341)
Balance - March 31, 2015 - audited	6,580,000	6,580	–	71,801	(107,195)	(28,814)
Net loss for the period	–	–	–	–	(109,615)	(109,615)
Common stock issued in exchange for 587,713 shares of Perfecular Inc. common stock	27,994,706	27,995	–	641,438	–	669,433
Balance - December 31, 2015 - audited	34,574,706	34,575	–	713,239	(216,810)	531,004
Net loss for the year	–	–	–	–	(440,904)	(440,904)
Balance - December 31, 2016 - audited	<u>34,574,706</u>	<u>\$ 34,575</u>	<u>\$ –</u>	<u>\$ 713,239</u>	<u>\$ (657,714)</u>	<u>\$ 90,100</u>

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



**FOCUS UNIVERSAL INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Twelve months ended December 31, 2016 <u>(Audited)</u>	Nine months ended December 31, 2015 <u>(Audited)</u>	Three months ended March 31, 2015 <u>(Unaudited)</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (440,904)	\$ (109,615)	\$ (35,571)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	1,130	232	—
Changes in Operating Assets and Liabilities:			
Accounts receivable	70,993	(106,889)	—
Inventories	(53,258)	(51,574)	—
Prepaid expenses	6,999	(3,096)	(5,019)
Deposits	—	(1,630)	(23,096)
Accounts payable and accrued liabilities	96,987	267,072	21,076
Accounts payable - related party	—	(12,927)	479
Customer deposit	(82,303)	140,029	—
Income taxes payable	—	800	—
Deferred rent	(443)	911	—
Net Cash (Used in) Provided by Operating Activities	<u>(400,799)</u>	<u>123,313</u>	<u>(42,131)</u>
Cash Flows from Investing Activities:			
Purchase of property and equipment	(8,239)	(1,640)	—
Net Cash Used in Investing Activities	<u>(8,239)</u>	<u>(1,640)</u>	<u>—</u>
Cash Flows from Financing Activities:			
Proceeds from related party borrowing	—	63,369	20,000
Repayment to related parties	(63,369)	(20,000)	—
Proceeds from shareholders loan	—	19,533	100,000
Repayment to shareholders	(19,533)	(100,000)	—
Proceeds from issuing stock	—	669,433	—
Net Cash (Used in) Provided by Financing Activities	<u>(82,902)</u>	<u>632,335</u>	<u>120,000</u>
Net Change in Cash and Cash Equivalents	(491,940)	754,008	77,869
Cash and cash equivalents - Beginning of Period	<u>832,013</u>	<u>78,005</u>	<u>136</u>
Cash and cash equivalents - End of Period	<u>\$ 340,073</u>	<u>\$ 832,013</u>	<u>\$ 78,005</u>
Supplemental Disclosures for Statement of Cash Flows:			
Interest paid	<u>\$ 501</u>	<u>\$ 3,150</u>	<u>\$ —</u>
Income tax paid	<u>1,600</u>	<u>—</u>	<u>—</u>

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

**FOCUS UNIVERSAL INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Information for the Twelve Months ended December 31, 2016 is audited)**

**Note 1 – Organization and Operations**

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

Change in Control

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

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

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

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

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

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

Perfecular Inc. was found in September 2009 and is headquartered in City of Industry, California, and is engaged in designing certain electronic products and sales of broad selection of garden equipment in North America and Europe.

Change in fiscal year

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

The Company expects to make the fiscal year change on a prospective basis and will not adjust operating results for prior periods. The change to the Company’s fiscal year will not impact the Company’s calendar year results for the year ended December 31, 2015. While the change will have some impact on the prior year comparability of each of the fiscal quarters and annual periods in fiscal years prior to calendar year 2016 in future filings, the Company expects this impact will be minimal.

Change in fiscal year

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

## **Note 2 – Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying consolidated financial statements include the accounts of Focus Universal Inc. and its wholly-owned subsidiary, Perfecular Inc. All intercompany balance sheet accounts, including receivable and payable have been eliminated upon consolidation. Due to the merger occurred on December 30, 2015, there was no business activity at Perfecular in 2015 to be consolidated since the merger. Therefore, the consolidated statements of operations and changes in stockholder' equity (deficit) only reflect activities at Focus for all periods presented. The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP. Please refer to Exhibit 99.1 herein for additional information about Perfecular's 2015 performance.

The Company filed Form 8-K dated December 11, 2015, the Company changed its fiscal year end from March 31 to December 31. As a result, the Company is reporting a nine-month transition period ended December 31, 2015 in order to change its fiscal year to match the calendar year. Unaudited results for the nine-month period ended December 31, 2014 has been included for comparative purposes.

### **Cash and Cash Equivalents**

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

### **Concentrations of Credit Risk**

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

### **Fair Value of Financial Instruments**

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value with U.S. GAAP, and expands disclosures about fair value measurements.

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

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

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

### **Fair Value of Financial Instruments (continued)**

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than

one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalent, prepaid expenses, accounts payable and accrued expenses, approximate their fair value because of the short maturity of those instruments.

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

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

#### Inventories

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

#### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Estimated useful lives range from three to seven years on all categories of depreciable assets. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is included in earnings. Maintenance and repairs are expensed currently. Major renewals and betterments are capitalized.

#### Long Term Assets

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.

#### Revenue Recognition

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

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

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

#### Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. There was no allowance for doubtful accounts at December 31, 2016 and December 31, 2015.

#### Advertising costs

Advertising costs are expensed as incurred. The Company recorded \$3,736 and \$0 advertising costs for the twelve-month periods ended December 31, 2016 and 2015.

#### Research and development

Research and development costs are expensed as incurred. Research and development costs primarily consist of efforts to refine existing product models and develop new product models. During 2016, our research and development costs totalled approximately \$201,899, primarily for the research and development of the Ubiquitor device. Please refer to Exhibit 99.1 for additional information regarding the research and development costs incurred and recorded on Perfecular's books.

#### Related Parties

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

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

#### Commitments and Contingencies

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

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

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

#### Stock Based Compensation

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

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

### Income Tax Provision

Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax basis of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized. There were no material deferred tax assets or liabilities as of December 31, 2016, and December 31, 2015.

As of December 31, 2016 and 2015, the Company did not identify any material uncertain tax positions. As of December 31, 2016, the Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company has not filed its tax return for fiscal year ended March 31, 2015. Because the Company does not owe any income tax liability for the fiscal year ended March 31, 2015, the possible penalty for late filing is immaterial to the consolidated financial statements, and the Company did not accrual for interest or penalties on the Company's balance sheets at December 31, 2016 and 2015.

Perfecular has not completed a formal Section 382 analysis regarding the limitation of net operating loss carryforwards. As such, Perfecular's net operating loss carryforwards may be limited if an ownership change occurred. Perfecular plans to perform a formal Section 382 analysis if there is sufficient taxable income in the future years to begin utilizing its net operating loss carryforwards.

As of December 31, 2016, the cumulative federal and state net operating loss carryforwards of approximately \$375,437 and \$373,837 respectively. As of December 31, 2015, the cumulative federal and state net operating loss carryforwards of approximately \$216,754 and \$215,954, respectively. The cumulative operating loss carryforwards begin to expire in 2033.

### Net Income (Loss) Per Common Share

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

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

There were no potentially dilutive debt or equity instruments issued and outstanding at any time during the twelve-month periods ended December 31, 2016 and 2015.

### Cash Flows Reporting

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

### Subsequent Events

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

### Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. ASC 606 includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. ASU 2016-08 clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. The amendments in ASU 2016-08 affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements in ASU 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of ASU 2014-09 by one year.

In March 2016, the FASB issued ASU 2016-09—Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this guidance are relating to employee share-based compensation. Under the new guidance, we are required to recognize the tax effects of stock compensation as income tax expense or benefit in the income statement and treat the tax effects of exercised or vested awards as discrete items in the reporting period in which they occur. Excess tax benefits are required to be classified as operating activities, and shares we withhold on behalf of employees for tax purposes are required to be classified as financing activities. We may make an accounting policy election to continue to estimate the number of awards that are expected to vest or account for forfeitures when they occur. The threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates. This guidance is required to be adopted in the first quarter of 2017. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). The amendments in this guidance on eight specific cash flow issues with regard to how cash receipts and cash payments are presented and classified in the statement of cash flows in order to clarify existing guidance and reduce diversity in practice. The guidance is required to be adopted in the first quarter of 2018 on a retrospective basis, unless it is impracticable to apply, in which case it should be applied prospectively as of the earliest date practicable. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated statement of cash flows.

In January of 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The amendments in this guidance are clarifying the definition of a business to assist entities when determining whether an integrated set of assets and activities meets the definition of a business. The update provides that when substantially all the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this new guidance is not expected to have a material impact on our consolidated financial statements.

In January of 2017, the FASB issued ASU 2017-04—Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this guidance to eliminate the requirement to calculate the implied fair value of goodwill to measure goodwill impairment charge (Step 2). As a result, an impairment charge will equal the amount by which a reporting unit’s carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. The guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The impact of this guidance for the Company will depend on the outcomes of future goodwill impairment tests.

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

### Use of estimates

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

### Reclassification

Certain items in December 31, 2016 and December 31, 2015 financial statements have been reclassified to comply with the current period presentation. These reclassifications had no effect on previously reported net loss.

### **Note 3 – Property and Equipment**

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

	December 31, 2016	December 31, 2015
Furniture and fixture	\$ 9,879	\$ 1,640
Less accumulated depreciation	(1,362)	(232)
Property and equipment, net	<u>\$ 8,517</u>	<u>\$ 1,408</u>

Depreciation expense for the twelve months period ended December 31, 2016 and 2015 amounted to \$1,130 and \$232, respectively.

### **Note 4 – Related Party Transactions**

#### Consulting services from President, Chief Executive Officer, Secretary and Treasurer and Chief Financial Officer

Consulting services provided by the President, Chief Executive Officer, Secretary and Treasurer and Chief Financial Officer for the twelve months ended December 31, 2016 and 2015 were as follows:

	For the Twelve Months Ended December 31, 2016	For the Twelve Months Ended December 31, 2015
President	\$ –	\$ –
Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer	121,385	–
	<u>\$ –</u>	<u>\$ –</u>

#### Loan from related party

From time to time, Perfecular borrows from a related party entity, Vitashower Corp., which is under common ownership and management. At December 31, 2015, the outstanding loan and accrued interest payable to Vitashower totaled \$63,369. This loan also bears an annual interest rate of 5%. This loan was repaid in full during the twelve months ended December 31, 2016.

#### Sales & Purchase from related party

During 2016, Perfecular facilitated approximately \$1,003,891 of sales to one customer, representing 90% of total annual sales. However, in accordance to the Financial Accounting Standard Board Accounting Standards Codification 605-45, the Company should report the net revenue of \$216,186. Please refer to Revenue Recognition in Note 2 for additional information.

Currently, Perfecular relies on one supplier in China, a related party manufacturer to supply all merchandise for its sales. Account payable to this vendor accounted for approximately 97% at December 31, 2016.

### **Note 5 – Business Concentration and Risks**

As discussed in Note 4, the Company relies on one supplier and one customer for over 97% of its purchase and 90% of its sales.

### **Note 6 – Commitments and Contingencies**

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



Focus sub-leases a portion of the property to Pefecular. The lease is a non-cancelable operating lease with monthly rent of \$5,000. The lease commenced on May 1, 2015 and expires on April 30, 2017. The sublease income for the twelve months ended December 31, 2016 amounted to \$60,000. Rental income and expense are eliminated on the accompanying consolidated financial statements.

Focus sub-leases a portion of the property to Cape Robbin Inc. The lease is a non-cancelable operating lease with monthly rent of \$4,400. The lease commenced on July 1, 2016 and expires on June 30, 2017. The sublease income for the twelve months ended December 31, 2016 amounted to \$26,400.

Total rent expense was \$67,700 and \$65,409 for the twelve months ended December 31, 2016 and 2015, respectively.

Future minimum lease commitments are as follows:

December 31,	Rent Expense
2017	\$ 47,344
2018	\$ 93,744
Thereafter	—

## **Note 7 – Stockholders' Equity**

### Shares authorized

Upon formation the total number of shares of all classes of stock which 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 September 30, 2013, the Company sold 4,000,000 shares of its common stock at par to its directors for \$4,000 in cash.

As at March 31, 2014, the Company received \$3,000 in common stock subscription funds. The Company completed the sale of 2,580,000 shares of common stock at \$0.0125 per share for total proceeds of \$32,250 during the year ended March 31, 2015.

On December 30, 2015, the Company issued 27,994,706 shares of common stock to shareholders of Perfecular Inc. to acquire all of the issued and outstanding shares of Perfecular's common stock in 47.6333 to one exchange ratio.

Three individuals had entered separate convertible note agreements with Perfecular in June 2015, and three notes amounted to \$130,000. Prior to the merger, all three individuals elected to exercise their rights to convert a total of \$57,313 of the combined notes into 16,054 shares of common stock of Perfecular and forgive outstanding \$72,687 remaining balance under the terms of the original notes.

As of December 31, 2016 the Company had 34,574,706 shares of common stock issued and outstanding.

## **Note 8 – Subsequent Events**

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

## **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 ("1992 COSO Framework").

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.

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

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.

### **Background and Remediation Plan**

Management has determined that its processes and procedures over accounting and financial reporting are not adequate. As a result, the Company plans to implement a number of steps to remediate the material weakness discussed above and improve its internal control over financial reporting. Specifically, the following are planned: hiring additional qualified accounting personnel; reviewing all areas of the accounting process; strengthening controls and improving the reporting tools and quality of data used in the analysis of disclosures to review activities relevant to the financial reporting process.

Management believes that the measures described above should remediate the material weakness identified and strengthen the Company's internal control over financial reporting. As the Company continues to evaluate and improve its internal control over financial reporting, additional measures to remediate the material weakness or modifications to certain of the remediation procedures described above may be necessary. The Company expects to complete the required remedial actions during 2016.

### 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>
Dr. Edward Lee	President
Dr. Desheng Wang	Chief Executive Officer, Chief Financial Officer, and Secretary

Each director serves until our next annual meeting of the stockholders or unless they resign earlier. The Board of Directors elects officers and their terms of office are at the discretion of the Board of Directors.

Each of our directors serves until his or her successor is elected and qualified. 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. At the present time, members of the board of directors are not compensated for their services to the board.

#### *Biographical Information Regarding Officers and Directors*

##### **Desheng Wang**

Dr. Desheng Wang was appointed as Chief Executive Officer, Secretary, and is a director nominee effective as of December 29, 2014. Dr. Wang has over 20 years of professional experience in mobile technology. Dr. Wang earned his Bachelors degree from Hebei Normal University, Physics Department in 1985. In 1988, Dr. Wang earned his masters degree from Dalian Institute of Chemical Physics at the Chinese Academy of Science in 1988. 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 as President of Perfecular Inc.

##### **Edward Lee**

President and Director. Dr. Edward Lee was born in 1963 in Henan, China. Received his Bachelors 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. Dr. Lee currently serves as CEO of AIDP. AIDP is a leading supplier of dietary supplement ingredients, focusing on research & development and marketing and sales of proprietary ingredients like Magtein, KoACT, Predtic X, Long Jax etc. Dr. Lee is also serving as the Vice President of the American Chinese Medicine Association.

##### **Jennifer Gu**

Director. Dr. Jennifer Gu was born in 1967 in Anhui, China. Dr. Gu earned her Bachelors degree in Biology from University of Florida in 1990 and earned her Ph.D. in Experimental Pathology at University of California, Los Angeles in 1997. She also completed post-doctoral research at the California Institute of Technology in 2004. Dr. Gu is currently serving as the Vice President of Research & Development at AIDP.

#### Item 11: EXECUTIVE COMPENSATION

##### *Compensation of Officers*

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2016, and 2015 awarded to, earned by or paid to our executive officers.

##### *Summary Compensation Table*

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
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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, CFO, Secretary, Director	2016	121,385	0	0	0	0	0	0	0
Edward Lee President and Director	2016	0	0	0	0	0	0	0	0
Edward Lee President and Director	2015	0	0	0	0	0	0	0	0
Jennifer Gu Director	2015	0	0	0	0	0	0	0	0
Xu Tang President and Director	2015	0	0	0	0	0	0	0	0
Desheng Wang CEO, CFO, Secretary	2015	0	0	0	0	0	0	0	0
Yan Chen Senior Vice President	2015	0	0	0	0	0	0	0	0
Tatyana Popova Former President CEO	2015	0	0	0	0	0	0	4,500	4,500
Elena Ignatenko, Former CFO, Treasurer, Secretary	2015	0	0	0	0	0	0	4,500	4,500

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

##### ***Compensation***

We have not provided our named executive officers with perquisites or other personal benefits. For the year ended December 31, 2016 the only officer or director paid a salary was Dr. Desheng Wang, who received \$121,385. This compared to \$0 paid out for the nine months ended December 31, 2015. For the year ended March 31, 2015, the annual compensation was \$4,500 to each Tatyana Popova and Elena Ignatenko. This compared to the \$3,200 they each received at year ended March 31, 2014. As of year-end March 31, 2015, the current officers have not yet formally or informally entered into compensation arrangements pursuant to 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 members of our board of directors, including executive officers, did not receive any compensation for services as directors for 2016, 2015, 2014 and 2013.

##### ***Option Exercises and Stock Vested***

We do not have a stock option plan in place; therefore, there were no options issued, outstanding, exercised, or stock issued or vested as compensation during the twelve months ended December 31, 2016, 2015, or 2014.

##### ***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 March 31, 2015.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	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 Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
Edward Lee President	—	—	—	—	—	—	—	—	—
Desheng Wang CEO, CFO, Secretary	—	—	—	—	—	—	—	—	—

### 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, 2015: (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, 2015 there were 34,574,706 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, CFO, and Director	17,000,000	49.169
Common	Edward Lee, President and Director	8,400,000	24.295
Common	Yan Chen	3,000,000	8.667

(1) Applicable percentage of ownership is based on 34,574,706 shares of common stock outstanding on December 31, 2016.

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, 2016, 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, 2016, 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, 2016 there were 25,400,000 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 and Treasurer and Chief Financial Officer for the twelve months ended December 31, 2016 and 2015 were as follows:

	For the Twelve Months Ended December 31, 2016	For the Twelve Months Ended December 31, 2015
President	\$ —	\$ 0
Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer	121,385	0
	<u>\$ —</u>	<u>\$ 0</u>

#### Advances to (from) related party

Prior to the merger, the Company granted advances to or from Perfecular Inc. from time to time, and the advances are non-interest bearing. Total advances from Perfecular amounted to \$12,448 as of March 31, 2015. The entire balance was paid off in January, 2016.

#### Loan from stockholders

On February 25, 2015, the Company borrowed \$100,000 from a stockholder for working capital. The loan bears an interest rate of 5% annually. The loan is unsecured and is due on demand. The outstanding balance was \$100,000 at March 31, 2015, with accrued interest payable of \$479 as of March 31, 2015. The entire balance plus accrued interest was paid off in October, 2015.

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

#### Loan from related party

On February 1, 2015, the Company borrowed \$20,000 from Perfecular. This loan is a demand loan payable upon the demand of the lender. The interest rate will accrue at 0.48% per annum and is unsecured. The outstanding balance for this loan was \$20,000 and \$0 at March 31, 2015 and December 31, 2015, respectively. The entire balance plus accrued interest was paid off in June, 2016.

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

Our management is involved in other business activities and may, in the future become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between our business and their other business interests. In the event that a conflict of interest arises at a meeting of our directors, a director who has such a conflict will disclose her interest in a proposed transaction and will abstain from voting for or against the approval of such transaction.

#### **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 President; our director Desheng Wang is also our Chief Executive Officer, and Chief Financial Officer. As a result, we have one independent director on our Board of Directors and that is Jennifer Gu.

#### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

During the year ended March 31, 2015, 2014, and the period from December 4, 2012 (Inception) to March 31, 2013, we engaged Cutler & Co, LLC, as our independent auditor. On October 20, 2015, we changed our independent auditor to DYH & Company. For the nine months ended December 31, 2015 and 2014, and year ended March 31, 2015 and nine months ended December 31, 2015 and December 31, 2016. For these periods, we incurred fees as discussed below:

Year ended December 31, 2016	Twelve Months ended December 31, 2015
------------------------------------	--

Audit fees	\$	46,633	\$	14,250
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. The audit fees included approximately \$10,660 that is related to Form S-1 filings. 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
2.1	Agreement and Plan of Merger by and among Focus Universal Inc., FCUV Acquisition Corp. and Perfecular Inc. filed with the SEC on January 5, 2016.
3.1	Articles of Incorporation. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
3.2	Bylaws. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
4.2	Subscription Agreement. Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on December 26, 2013.
10.1	Stock Purchase Agreement dated December 29, 2015. Incorporated by reference to the Company's 8-K filed with the SEC on January 5, 2015.
10.2	Unsecured Demand Promissory Note dated February 1, 2015 in the amount of \$20,000 filed with the SEC on July 28, 2015
10.3	Unsecured Demand Promissory Note dated February 25, 2015 in the amount of \$100,000 filed with the SEC on July 28, 2015
10.4	Master Revolving Note dated May 21, 2015 in the amount of \$1,000,000 filed with the SEC on July 28, 2015
31.1	Certification of 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.*
99.1	Perfecular Inc. unconsolidated financial statements for year-end 2015.*
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Extension Schema Document **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document **
101.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **

\* Filed herewith.

\*\* 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 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: March 22, 2017

### FOCUS UNIVERSAL INC.

By: /s/ Desheng Wang

Desheng Wang

Chief Executive Officer, Chief Financial Officer, and  
Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of Focus Universal Inc. 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	<u>Chief Executive Officer, Secretary and Director</u>	<u>March 22, 2017</u>

**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, 2016;
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: March 22, 2017

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

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL ACCOUNTING 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, 2016;
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: March 22, 2017

By: /s/ Desheng Wang

Desheng Wang  
Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 32.1**

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

In connection with the Annual Report of Focus Universal Inc. (the “Company”) on Form 10-K for the year ended December 31, 2016, 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:

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

Dated: March 22, 2017

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

**Exhibit 32.2**

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

In connection with the Annual Report of Focus Universal Inc. (the “Company”) on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Desheng Wang, 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:

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

Dated: March 22, 2017

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

**Exhibit 99.1**

**Perfecular, Inc. audited financial statements for the years ended December 31, 2015 and 2014**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and  
Stockholders of Focus Universal Inc.

We have audited the accompanying balance sheets of Perfecular Inc. as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2015 and December 31, 2014. Perfecular Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perfecular Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/S/ DYH & Company

Irvine, California  
June 23, 2016

PERFECULAR, INC.  
BALANCE SHEETS  
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 826,332	\$ 43,257
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$3,239 as of December 31, 2015 and 2014, respectively	106,889	40,281
Inventories	51,574	42,105
Due from affiliate	177,749	—
Due from shareholder	—	394,872
Prepaid rent	—	1,048
Total current assets	<u>1,162,544</u>	<u>521,563</u>
OTHER ASSETS:		
Deposit	—	1,590
Total assets	<u>\$ 1,162,544</u>	<u>\$ 523,153</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	265,535	\$ 265,508
Accrued expenses	4,645	14,309
Due to related party	63,369	344,658
Customer deposits	140,029	35,663
Loan from shareholders	19,533	—
Total current liabilities	<u>493,111</u>	<u>660,138</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$1 per share, 100,000,000 shares authorized; 587,713 shares and 300,000 shares issued and outstanding as of December 31, 2015 and 2014, respectively	587,712	300,000
Additional paid-in-capital	740,100	—
Accumulated deficit	(658,379)	(436,985)
Total shareholders' equity (deficit)	<u>669,433</u>	<u>(136,985)</u>
Total Liabilities and shareholders' equity	<u>\$ 1,162,544</u>	<u>\$ 523,153</u>

See independent auditors' report and accompanying notes to financial statements.

PERFECULAR, INC.

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUE	\$ 412,669	\$ 368,575
COST OF SALES	<u>134,682</u>	<u>168,494</u>
GROSS PROFIT	<u>277,987</u>	<u>200,081</u>
OPERATING EXPENSE:		
General and administrative	178,182	173,993
Professional fees	20,128	
Research and development	360,926	219,940
Total operating expenses	<u>559,236</u>	<u>393,933</u>
LOSS FROM OPERATIONS	(281,249)	(193,852)
OTHER INCOME (EXPENSE):		
Interest expense, net	(9,660)	(6,858)
Other income	72,687	—
Other expense	<u>(2,372)</u>	<u>—</u>
Total other income (expense), net	60,655	(6,858)
LOSS BEFORE INCOME TAX PROVISION	(220,594)	(200,710)
PROVISION FOR INCOME TAXES	<u>800</u>	<u>800</u>
NET LOSS	<u>\$ (221,394)</u>	<u>\$ (201,510)</u>

See independent auditors' report and accompanying notes to financial statements.



PERFECULAR, INC.

STATEMENTS OF SHAREHOLDER'S DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in- Capital	Deficit	Shareholders' Deficit
Balance, December 31, 2013	100,000	\$ 100,000	\$ —	\$ (235,475)	\$ (135,475)
New shares issued	200,000	200,000	—		200,000
Net loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>(201,510)</u>	<u>(201,510)</u>
Balance, December 31, 2014	300,000	300,000	—	(436,985)	(136,985)
New shares issued	287,712	287,712	740,100		1,027,812
Net loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>(221,394)</u>	<u>(221,394)</u>
Balance, December 31, 2015	<u>587,712</u>	<u>\$ 587,712</u>	<u>\$ 740,100</u>	<u>\$ (658,379)</u>	<u>\$ 669,433</u>

See independent auditors' report and accompanying notes to financial statements.

PERFECULAR, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (221,394)	\$ (201,510)
Changes in operating assets and liabilities:		
Accounts receivable	(66,608)	(22,348)
Inventories	(9,469)	7,919
Prepaid rent	1,048	(1,048)
Deposit	1,590	
Accounts payable	27	3,856
Accrued expenses	(9,664)	4,706
Payroll taxes payable	—	(2,314)
Customer deposit	104,366	35,663
Deferred rent	—	(1,073)
Net cash flows used in operative activities	<u>(200,104)</u>	<u>(176,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to affiliate	(177,749)	(352,849)
Collections of loans to shareholder	394,872	—
Net cash flows provided by (used in) operative activities	<u>217,123</u>	<u>(352,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from shareholders loans	19,533	—
Payments on related party loan	(281,289)	—
Proceeds from related party borrowing	—	264,934
Proceeds from issuance of common stock	—	200,000
Proceeds from issuance of common stock	1,027,812	—
Net cash flows provided by (used in) financing activities	<u>766,056</u>	<u>464,934</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	783,075	(64,064)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>43,257</u>	<u>107,321</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 826,332</u>	<u>\$ 43,257</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ —</u>	<u>\$ —</u>
Income taxes paid	<u>\$ 800</u>	<u>\$ 800</u>

See independent auditors' report and accompanying notes to financial statements.

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 1 – Business operations**

Perfecular, Inc. (the “Company”) was founded in September 2009 and is headquartered in City of Industry, California, and is engaged in designing certain electronic products and sales of broad selection of garden equipment in North America and Europe. Prior to November 2014, the Company was fully owned by a related party, Tianjin Guanglee Technologies Co., Ltd (Tianjin Guanglee), a China based manufacturer of commercial-used filter, tent and other electronic products.

Changes in control

On November 28, 2014, Desheng Wang, secretary and chief financial officer of the Company acquired the entire 100,000 shares of the Company’s Common Stock from Tianjin Guanglee in addition to his contribution of capital for \$200,000 for additional 200,000 shares of the company’s common stock. Mr. Wang became the sole shareholder of the Company.

During 2015, the Company entered separate convertible note agreements with seven individuals and one entity, totaled \$1,103,000. Prior to the merger with Focus Universal Inc. as discussed in the following paragraph, all aforementioned individuals and entity elected to exercise their rights to convert a total of \$1,027,812 of the combined notes to 287,712 shares of common stock of the Company and forgave approximately total \$72,687 of loan balance. A remaining balance of \$2,501 was paid off subsequently.

On December 30, 2015, the Company entered into a merger and equity exchange agreement with a related party, Focus Universal, Inc. (“Focus”). The entire common shares of the Company were exchanged for common shares of Focus at a ratio of 1:47.6333. Upon execution of the merger and equity exchange agreement, Perfecular became a wholly owned subsidiary of Focus.

**Note 2 – Summary of significant accounting policies**

Basis of presentation

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Revenue recognition

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

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 2 – Summary of significant accounting policies (continued)**

Revenue recognition (continued)

The Company reports net revenue for its sales to third parties in accordance to the Financial Accounting Standard Board Accounting Standards Codification 605-45, because its primary business functions are marketing and sales of Tianjin Guanglee's products. It does not carry any inventory. While Tianjin Guanglee determines the products specifications and the sales prices, and bears physical loss risks during shipping. During the years ended December 31, 2015 and 2014, the Company facilitated approximately \$1,045,441 and \$917,363 in purchase orders from customers and earned commission revenue of \$230,679 and \$132,360, respectively. The Company collects full amount of accounts receivable from customers through direct wire transfers or letters of credit and remits payments to Tianjin Guanglee for the intercompany invoices with amounts net of the sales commissions. Commission revenue is recognized when the sales booked by the Company is recognized.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. Accounts receivable is presented net of an allowance for doubtful accounts of \$0 and \$3,239 at December 31, 2015 and 2014, respectively.

Inventories

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

Property, plant and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to seven years for all categories of depreciable assets. Leasehold improvements are stated at cost and depreciation is computed on the straight-line method over the shorter of the lease term or the estimated lives of the assets. Software is stated at cost and is amortized on the straight-line method over the estimated lives ranging from one to five years.

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 2 – Summary of significant accounting policies (continued)**

Property, plant and equipment (continued)

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 while major renewals and betterments are capitalized.

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. Research and development expenses included in operating expenses for the years ended December 31, 2015 and 2014 amounted to \$360,926 and 219,940, respectively.

Income taxes

The Company uses the asset and liability method, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of assets and liabilities. A valuation allowance is required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Balance Sheet Classification of Deferred Taxes, which will require entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of this guidance will eliminate the need to present DTAs as long-term and DTLs as current liabilities.

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 2 – Summary of significant accounting policies (continued)**

Recent Accounting Pronouncements (continued)

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

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations under the new revenue recognition standard. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The Company is in the process of evaluating the impact of the provision of ASU 2016-08 on its financial statements.

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

**Note 3 – Related party transaction**

Prior to the merger, the shareholder borrows funds from the Company occasionally. At December 31, 2014, the Company had loans and accrued interest due from the shareholder totaled \$394,872. Interest accrued at 5 percent annual rate. In 2015, the shareholder has repaid the entire loan balance.

The Company granted advances to or from Focus, Inc. from time to time, and the advances are non-interest bearing. Total advances to Focus amounted to \$177,749 as of December 31, 2015.

The Company had borrowed short-term loans from shareholders of the Company. At December 31, 2015, the Company has short-term loans payable totaled approximately \$19,533. These loans are due upon the demand of the lenders and were unsecured with annual interest rate of 0.55%. Subsequently to year-end, the entire balance of these loans was paid off with accrued interest.

The Company from time to time borrows from a related party entity, Vitashower Corp., which is under common ownership and management. At December 31, 2015 and 2014, the outstanding loan and accrued interest payable to Vitashower totaled \$63,369 and \$344,658, respectively. This loan also bears annual interest rate of 5 percent. This loan was paid off subsequent to year-end.

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 3 – Related party transaction (continued)**

The Company also sells certain products to Vitashower. The total revenue generated from Vitashower was \$54,331 and \$209,067 for the years ended December 31, 2015 and 2014, respectively.

The Company purchases majority of its products from Tianjin Guanglee.

**Note 4 – Business concentrations and risks**

Uninsured cash

The Company maintains cash in bank accounts, which may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash in bank accounts.

Major customers

The Company had sales to two customers representing 100% of sales in 2015 and 2014. One customer accounted for 100% of the total accounts receivable at December 2015 and 2014.

Major vendors

One vendor accounted for approximately 93% and 88% of the Company's purchases as of December 31, 2015 and 2014, respectively. One vendor accounted for 100% of the total accounts payable at December 31, 2015 and 2014.

**Note 5 – Lease commitment**

On December 20, 2012, the Company entered into an operating lease agreement for its office space located at 13111 Brooks Drive, Baldwin Park, California with a third party. The lease expires on February 2015. Lease expense related to this office location amounted to \$7,926 and \$18,615 for years ended December 31, 2015 and 2014.

On April 25, 2015, the Company entered a sublease agreement with Focus Universal, Inc., a related party to share office facility and warehouse located in City of Industry, California, for a monthly rent of \$5,000. The sublease expires on April 30, 2017. Lease expense related to this location amounted to \$40,000. Future minimum lease commitments are as follows:

<u>December 31,</u>	<u>Expense</u>
2016	\$ 60,000
2017	\$ 20,000
Thereafter	—

PERFECULAR, INC.

NOTES TO THE FINANCIAL STATEMENTS

**Note 6 – Income taxes**

The Company has implemented accounting standards related to income tax positions. In examining its tax positions under the new standards, the Company will assume the positions that will be examined by the appropriate taxing authority, and the taxing authority will have full knowledge of all relevant information. The technical merits of the Company's tax positions are derived from sources of authorities in the tax law (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax positions. As of December 31, 2015, the Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed. An uncertain income tax position will not be recognized if it has been a 50% likelihood of being sustained. There were no unrecognized tax benefits as of December 31, 2015 and 2014.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's balance sheets at December 31, 2015 or December 31, 2014, and has not recognized interest and/or penalties in the statements of operations for the years ended December 31, 2015 and 2014.

The Company has not completed a formal Section 382 analysis regarding the limitation of net operating loss carryforwards. As such, the Company's net operating loss carryforwards may be limited if an ownership change occurred. The Company plans to perform a formal Section 382 analysis if there is sufficient taxable income in the future years to begin utilizing its net operating loss carryforwards.

As of December 31, 2015, the cumulative federal and state net operating loss carryforwards of approximately \$637,000 and \$634,000, respectively. As of December 31, 2014, the cumulative federal and state net operating loss carryforwards of approximately \$416,000 and \$413,000, respectively. The cumulative operating loss carryforwards begin to expire in 2034.

**Note 7 – Subsequent event**

On February 29, 2016, the Company repaid \$63,369 of loan and any accrued interest back to Vitashower.

On February 29, 2016, the Company also repaid \$19,533 of loans and any accrued interest back to shareholders.

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