

**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 Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: _____

COLORSTARS GROUP

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

06-1766282

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

10F, No. 566 Jung Jeng Rd. Sindian District, New Taipei City 231, Taiwan, R.O.C.

(Address of Principal Executive Offices)(Zip Code)

(949) 336-6161

(Registrant's telephone number, including area code)

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

None

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

Common Stock, \$0.001 par value per share

(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 Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically 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 pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Accelerated filer
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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2017 was \$2,522,146.

As of August 28, 2018, the registrant had 102,274,515 shares of Common Stock, \$0.001 par value, issued and outstanding.

NO DOCUMENTS INCORPORATED BY REFERENCE

COLORSTARS GROUP
2016 FORM 10-K ANNUAL REPORT

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This 2016 Annual Report on Form 10-K, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains “forward-looking statements” that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new products or services; our statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of management’s goals and objectives; trends affecting our financial condition, results of operations or future prospects; our financing plans or growth strategies; and other similar expressions concerning matters that are not historical facts. Words such as “may,” “will,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes” and “estimates,” and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to:

- our inability to raise additional funds to support operations and capital expenditures;
- our inability to achieve greater and broader market acceptance of our products and services in existing and new market segments;
- our inability to successfully compete against existing and future competitors;
- our inability to manage and maintain the growth of our business;
- our inability to protect our intellectual property rights; and
- other factors discussed under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

ITEM 1. BUSINESS

With respect to this discussion, the terms “we” “us” “our” and the “Company” refer to ColorStars Group.

(a) General.

We were initially incorporated in the Province of Ontario, Canada on January 21, 2005. On November 3, 2005, we converted to a Nevada corporation.

(b) Significant Business Transactions Overview.

On July 24, 2005, we entered into an acquisition agreement with ColorStars, Inc., a Taiwanese corporation (“ColorStars Taiwan”), pursuant to which, on February 14, 2006, the shareholders of ColorStars Taiwan were issued shares of our Company in exchange for their shares of ColorStars Taiwan. This resulted in ColorStars Taiwan becoming a wholly owned subsidiary of the Company. Specifically, for each share of common stock outstanding of ColorStars Taiwan (1,500,000 shares of ColorStars Taiwan were issued and outstanding at such time), 20 shares of our common stock were issued in exchange for each such share (the aggregate of 30,000,000 shares of our common stock).

On March 20, 2009, ColorStars Taiwan acquired 50.4% of the outstanding common shares of Fin-Core Corporation, a Taiwanese corporation (“Fin-Core”) for a cash consideration of US \$468,262. This resulted in Fin-Core becoming a subsidiary of ours. The purchase price for the common shares of Fin-Core was determined through private negotiations between the parties and was not based upon any specific criteria of value. Fin-Core is principally engaged in the design and manufacturing of thermal management devices, the design and manufacturing of electrical and lighting devices and trade, and the import and export of electrical and lighting devices.

On July 7, 2010, ColorStars Taiwan sold 30.4% of its common shares of Fin-Core to Meiloon Industrial Co., Ltd., a publicly traded company on the Taiwan Stock Exchange, for a cash offering of US \$429,000. As a result of this transaction, ColorStars Taiwan owned only 20% of the outstanding common shares of Fin-Core.

On August 5, 2009, ColorStars Taiwan acquired a 51% equity interest in Jun Yee Industrial Co., Ltd., a Taiwanese corporation (“Jun Yee”) for a cash consideration of US \$536,000. The purchase price for the equity interest in Jun Yee was determined through private negotiations between the parties and was not based upon any specific criteria of value. Upon acquiring the equity interest, Jun Yee became a subsidiary of ours. The principal activity of Jun Yee is the manufacturing of LED light.

On November 26, 2010, ColorStars Taiwan entered into two related stock purchase agreements whereby ColorStars Taiwan sold all of its shares of Jun Yee common stock to Mr. Ming-Chun Tung and Ms. Ming-Fong Tung. Pursuant to the stock purchase agreement entered into with Mr. Ming-Chun Tung, ColorStars Taiwan sold 265,000 shares of its Jun Yee common stock to Mr. Ming-Chun Tung at a price per share of NTD \$23 (USD \$0.76) for a total purchase price of NTD \$6,095,000 (USD \$200,427). Furthermore, pursuant to the stock purchase agreement entered into with Ms. Ming-Fong Tung, ColorStars Taiwan sold 500,000 shares of its Jun Yee common stock to Ms. Ming-Fong Tung at a price per share of NTD \$23 (USD \$0.76) for a total purchase price of NTD \$11,500,000 (USD \$378,165). As a result of the transactions consummated above, Jun Yee is no longer our subsidiary.

In October 2011, Fin-Core decided to increase its capital by issuing 3,000,000 new shares at par value of NTD10 per share. The Company was entitled to subscribe for up to 600,000 shares for NTD 6,000,000. However, the Company chose not to participate in the subscription of any newly issued shares of Fin-Core. As a result, on November 4, 2011, the Company’s equity interest in Fin-Core decreased to 11.43% from 20% after issuance of 3,000,000 new shares.

On Dec. 20, 2012, Fin-Core Corporation decreased its total shares from 7,000,000 to 500,000. The Company's invested cost and percentage of shareholding were unchanged after the share consolidation. The Company held 57,143 shares in Fin-Core after the consolidation.

On December 28, 2012, Fin-Core increased its total shares to 1,100,000 shares with a new capital injection. The Company decided to not participate in the new share subscription and kept its total shares at 57,143. As a result, on December 31, 2012, the Company's equity interest in Fin-Core decreased to 5.19%. As a result of the consolidation and subsequent increase in outstanding shares, Fin-Core is no longer deemed our subsidiary.

In 2004, ColorStars, Inc. based in Taiwan acquired 20% of the outstanding common shares of Anteya Technology Corporation. Anteya provides the OEM service to us for the TRISTAR, EZSTAR, R4, LUXMAN, and HB series of product lines. On August 16, 2012, Anteya increased its share capital from 5,000,000 shares to 6,500,000 shares, and we subscribed for 300,000 additional shares at par value. The Company now holds a total of 1,300,000 shares in Anteya representing a total investment of NTD \$27,304,000 (USD \$910,492) representing 20% equity. Anteya Technology issued an additional of 1,000,000 shares to 7,500,000 shares during 2014 and an additional 2,000,000 shares in 2015. The Company decided not to subscribe any of these newly issued shares. As a result, the equity interest decreased to 13.68% for the period ended December 31, 2015. Anteya Technology was given cessation of operations from April 28, 2017. As a result, the investment was deducted by full impairment on December 31, 2015.

On October 13, 2008, we acquired 2,800 shares in a German company, Phocos AG. On May 27, 2013, the Company sold its 2,800 shares of Phocos AG to MUUS Horizen Fund 1, LP for \$30 EU per share (\$84,000 EU in total). The Company has no remaining stake in Phocos AG.

(c) Business of Issuer.

Overview

The Company, through its wholly owned subsidiary, has historically been primarily engaged in manufacturing, designing and selling light-emitting diode ("LED") and lighting equipment. We developed and retrofitted LED lamps and bulbs for lighting fixtures designed for general and special lighting applications. Our website can be found at www.colorstarsgroup.com and www.colorstars.com.

As LED lighting business has become very competitive, during 2017 the Company began planning for a transformation into a holding company to seek investment opportunities in other business lines.

Products

Color Stars' historical line of products is as follows:

Major Product Lines and Technologies:

Light Sources

1. The AMBY™-A19-WHT dimmable 12-watt A19 LED lamps with an E26/E27 or B22 base feature a new, patented aluminum housing and uniquely shaped patented optical lens that allows for a nearly 360° light distribution. The lamps are ETL and CE certified, RoHS compliant and LM-79 reports are available. Lighting Facts are also available for the U.S. market. Lumen output is 923 lumens ±10% for daylight white (5000 ±200K) and 801 lumens ±10% for warm-white (2900K ±200K). Non-dimmable 11W AMBY-A19-WHT-U7 models (90~277Vac) are also available. The AMBY-A19-WHT-W-120 now has Energy Star approval.

R5 Series. The **R5 Series** LED lamps are a new line of LED lighting products introduced in 2012. The series includes PAR 20, PAR 30 and PAR 38 lamps with a beautiful sleek design, MR16 lamps with a GU5.3 base and a narrow beam angle of 15°, along with beam angles of 30° and 60°, AR111 lamps for existing fixtures, and AR111X lamps with an external driver for new fixtures. Also available is the R5-AR111-GU10-WHT lamp with a GU10 base. The R5-AR111X, R5-AR111-GU10-WHT, and R5-PAR lamps are available in dimmable models that include LEDs with CREE, Nichia, or Taiwan chips. Non-dimmable models with Nichia and Taiwan LEDs are available for the R5-AR111-WHT and R5-PAR lamps. The R5-MR16-WHT lamps are non-dimmable lamps are available with either CREE or Taiwan LEDs. The dimmable 120V R5-PAR-WHT lamps are ETL certified with LM-79 reports and Lighting Facts available.

The R5-PAR38-WHT lamp won the red dot award for product design for 2012.

2. R5-AR111X-WHT: The 11W~14W R5-AR111X-WHT LED lamps have an external constant current driver and are suitable for new fixtures. The lamps are available with CREE, Nichia, or Taiwan LEDs.

<14W dimmable models with CREE LEDs are available in warm white (3000K ±200K; CRI 80+; 910 lumens) and daylight white (5200K ±200K; CRI 70+; 1,050 lumens). Beam angles available are 30° and 60°.

<14W dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 720 lumens) and daylight white (5200K ±200K; CRI 71; 1,150 lumens). Beam angles available are 30° and 60°.

11W non-dimmable models with universal voltage (100~277Vac) and Nichia LEDs are available in warm white (3000K ±200K; CRI 60; 800 lumens) and daylight white (5200K ±200K; CRI 83; 920 lumens). Beam angles available are 30° and 60°.

<14W non-dimmable models with universal voltage (100~277Vac) and CREE LEDs are available in warm white (3000K ±200K; CRI 80+; 910 lumens) and daylight white (5200K ±200K; CRI 70+; 1,050 lumens). Beam angles available are 30° and 60°.

<14W non-dimmable models with universal voltage (100~277Vac) and Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 880 lumens) and daylight white (5200K ±200K; CRI 70+; 1,040 lumens). Beam angles available are 30° and 60°.

3. R5-AR111-WHT: Non-dimmable <12.5W R5-AR111-WHT lamps with a built-in driver, suitable for existing fixtures, are available with LEDs with CREE or Taiwan chips. Beam angles: 30° and 60°.

R5-AR111-WHT (12 VAC/VDC) lamps with CREE LEDs are available in warm white (3000K ±200K; CRI 80+; 680 lumens) and daylight white (5000K ±200K; CRI 70+; 980 lumens). Beam angles available are 30° and 60°.

R5-AR111-WHT-T (12 VAC/VDC) lamps with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 560 lumens) and daylight white (5000K ±200K; CRI 70; 770 lumens). Beam angles available are 30° and 60°.

4. R5-AR111-GU10-WHT: The R5-AR111-GU10-WHT LED lamps are AR111 lamps with a GU10 base.

>12W dimmable models with CREE LEDs are available in warm white (3000K ±200K; CRI 84; 724 lumens) and daylight white (5200K ±200K; CRI 76; 1,122 lumens). Beam angles available are 30° and 60°.

<13W dimmable models with Nichia LEDs are available in warm white (3000K ±200K; CRI 80; 715 lumens) and daylight white (5200K ±200K; CRI 75; 1,000 lumens). Beam angles available are 30° and 60°.

12W dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 780 lumens) and daylight white (5200K ±200K; CRI 70; 850 lumens). Beam angles available are 30° and 60°.

12.5W non-dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 76; 655 lumens) and daylight white (5200K ±200K; CRI 70; 874 lumens). Beam angles available are 30° and 60°.

5. R5-PAR20-WHT: Dimmable R5-PAR20-WHT lamps are available with CREE, Nichia or Taiwan LEDs. Non-dimmable models with universal voltage (100~277Vac) are available with Nichia or Taiwan LEDs. The 120V dimmable models are ETL certified. LM-79 is available for the lamps with CREE LEDs. Lighting Facts are available for the 120V lamps with CREE LEDs. The 230V lamps are CE certified and RoHS compliant.

<10W dimmable models with CREE LEDs are available in warm white (3000K ±200K; CRI 82; 680 lumens) and daylight white (5200K ±200K; CRI 66; 1,000 lumens). Beam angles available: are 30° and 60°.

<10W dimmable models with Nichia LEDs are available in warm white (3000K ±200K; CRI 80; 670 lumens) and daylight white (5200K ±200K; CRI 75; 810 lumens). Beam angles available: are 30° and 60°.

<11W dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 674 lumens) and daylight white (5200K ±200K; CRI 70; 750 lumens). Beam angles available: are 30° and 60°.

Non-dimmable models with universal voltage (100~277Vac) and Nichia or Taiwan LEDs are also available.

<8W non-dimmable models with universal voltage (100~277Vac) and Nichia LEDs are available in warm white (3000K ±200K; CRI 80; 600 lumens) and daylight white (5200K ±200K; CRI 75; 630 lumens). Beam angles available are 30° and 60°.

<8W non-dimmable models with universal voltage (100~277Vac) and Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 600 lumens) and daylight white (5200K ±200K; CRI 70; 630 lumens). Beam angles available are 30° and 60°.

6. R5-PAR30-WHT: Dimmable R5-PAR30-WHT lamps are available with CREE, Nichia or Taiwan LEDs. Non-dimmable models with universal voltage (100~277Vac) are available with Nichia or Taiwan LEDs. The 120V dimmable models are ETL certified. LM-79 is available for the lamps with CREE LEDs. Lighting Facts are available for the 120V lamps with CREE LEDs. The 230V lamps are CE certified and RoHS compliant. Beam angles available are 30°, 60° and 160° with diffused lens.

>12W dimmable models with CREE LEDs are available in warm white (3000K ±200K; CRI 84; 724 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 66; 1,122 lumens; beam angles: 30° and 60°).

<13W dimmable models with Nichia LEDs are available in warm white (3000K ±200K; CRI 80; 715 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 75; 1,000 lumens; beam angles: 30° and 60°).

12W dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 780 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 70; 850 lumens; beam angles: 30° and 60°).

<13W dimmable models with Nichia LEDs and a 160° beam angle are available in warm white (3000K ±200K; CRI 80; 778 lumens) and daylight white (5200K ±200K; CRI 87; 760 lumens).

12W non-dimmable models with universal voltage (100~277Vac) and Taiwan LEDs are available in warm white (3000K ±200K; CRI 71; 910 lumens) and daylight white (5200K ±200K; CRI 71; 850 lumens). Beam angles available are 30° and 60°.

Non-dimmable models with universal voltage (100~277Vac) and Nichia LEDs are also available.

7. R5-PAR38-WHT: A red dot award winner: product design 2012, the dimmable 17W R5-PAR38-WHT lamps, are available with LEDs with CREE, Nichia or Taiwan chips. Non-dimmable models with universal voltage (100~277Vac) are available with Nichia and Taiwan LEDs. The 120V dimmable models are ETL certified. LM-79 is available for the lamps with CREE LEDs. Lighting Facts are available for the 120V lamps with CREE LEDs. The 230V lamps are CE certified and RoHS compliant. Beam angles available are 30°, 60° and 160° with diffused lens.

<17W dimmable models with CREE LEDs are available in warm white (3000K ±200K; CRI 83; 1,030 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 66; 1,460 lumens; beam angles: 30° and 60°).

<16W dimmable models with Nichia LEDs are available in warm white (3000K ±200K; CRI81; 815 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 83; 900 lumens; beam angles: 30° and 60°).

<17W dimmable models with Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 900 lumens; beam angles: 30° and 60°) and daylight white (5200K ±200K; CRI 72; 1,077 lumens; beam angles: 30° and 60°).

<17W dimmable models with Nichia LEDs and a 160° beam angle are available in warm white (3000K ±200K; CRI 81; 1,143 lumens) and daylight white (5200K ±200K; CRI 76; 1,285 lumens).

Non-dimmable models with universal voltage (100~277Vac) and Nichia LEDs are available in warm white (3000K ±200K; CRI 80; <16W) and daylight white (5200K ±200K; CRI 76; <17W). Beam angles available are 30° and 60°.

Non-dimmable models with universal voltage (100~277Vac) and Taiwan LEDs are available in warm white (3000K ±200K; CRI 80; 900 lumens; <16W) and daylight white (5200K ±200K; CRI 72; 1,245 lumens; <17W). Beam angles available are 30° and 60°.

Non-dimmable models with universal voltage (100~277Vac) and Nichia LEDs are also available.

8. R5-MR16-WHT: The 6W R5-MR16-WHT lamps, with a GU5.3 bi-pin base, are available with either CREE or Taiwan LEDs. Beam angles include a narrow beam angle of 15° as well as 30° and 60°.

Models with CREE LEDs include the R5-MR16-WHT-W (3000K ±200K; CRI 77; 265 lumens) and the R5-MR16-WHT-D (5200K ±200K; CRI 64; 403 lumens).

Models with Taiwan LEDs include the R5-MR16-WHT-W-T (3000K ±200K; CRI 80; 300 lumens) and the R5-MR16-WHT-D-T (5200K ±200K; CRI 66; 377 lumens).

R4S Series. The R4S Series LED lamps are 7W lamps with E27, GU10 and MR16 bases and have up to 42% more lumen output than the R4 Series (see below). The R4S Series lamps can now be produced with either CRI70 or CRI80 chips. *Caution: The R4S Series lamps should not be used in enclosed fixtures.*

9. R4S-MR16-WHT: The R4S-MR16-WHT series lamps are 7W MR16 LED lamps with a GU5.3 bi-pin base got open installations. The lumen output has been increased up to 42% over the R4 Series lamps as a result of new chips. The lamps are dimmable with linear AC transformers.

The lamps are available in warm white (3000K ±200K) and daylight white (5500K ±200K), two beam angles (30°, 45° and 85°) and a color rendering index of CRI 70 or CRI 80.

Specific models with lumen output are as follows: R4S-MR16-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 70; 500 lumens); R4S-MR16-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 70; 420 lumens); R4S-MR16-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 70; 470 lumens); R4S-MR16-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 70; 400 lumens); R4S-MR16-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 80; 420 lumens); R4S-MR16-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 80; 360 lumens); R4S-MR16-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 80; 400 lumens); R4S-MR16-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 80; 340 lumens).

10. R4S-E27-WHT: The R4S-E27-WHT Series lamps are 7W E27 LED lamps with new chips that provide an increase in lumen output of up to 42% over the R4-E27-WHT Series lamps.

The lamps are available in warm white (3000K ±200K) and daylight white (5500K ±200K), two beam angles (30° and 45°) and a color rendering index of CRI 70 or CRI 80.

Specific models with lumen output are as follows: R4S-E27-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 70; 500 lumens); R4S-E27-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 70; 420 lumens); R4S-E27-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 70; 470 lumens); R4S-E27-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 70; 400 lumens); R4S-E27-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 80; 420 lumens); R4S-E27-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 80; 360 lumens); R4S-E27-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 80; 400 lumens); R4S-E27-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 80; 340 lumens).

11. R4S-GU10-WHT: The R4S-GU10-WHT Series lamps are 7W GU10 LED lamps with new chips that provide an increase in lumen output of up to 42% over the R4-GU10-WHT Series lamps.

The lamps are available in warm white (3000K ±200K) and daylight white (5500K ±200K), two beam angles (30° and 45°) and a color rendering index of CRI 70 or CRI 80.

Specific models with lumen output are as follows: R4S-GU10-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 70; 500 lumens); R4S-GU10-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 70; 420 lumens); R4S-GU10-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 70; 470 lumens); R4S-GU10-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 70; 400 lumens); R4S-GU10-WHT-D-30 (5500K ±200K; beam angle: 30°; CRI 80; 420 lumens); R4S-GU10-WHT-W-30 (3000K ±200K; beam angle: 30°; CRI 80; 360 lumens); R4S-GU10-WHT-D-45 (5500K ±200K; beam angle: 45°; CRI 80; 400 lumens); R4S-GU10-WHT-W-45 (3000K ±200K; beam angle: 45°; CRI 80; 340 lumens).

The **R4 Series** LED lamps include (1) 6-watt, 4-chip retrofit lamps (E10~E27, GU10 and MR16 with GU5.3 bi-pin base); (2) 12W and 24W downlights; (3) 8W A19 lamps and (4) an 8W G24 lamp. They are available in warm white and daylight white. *Note: The R4-MR16-WHT lamps can be used in semi-enclosed fixtures.*

12. R4-MR16-WHT: This 6-watt lamp has a GU5.3 bi-pin base and features a heatsink that allows for high lumen output. It is dimmable with linear AC transformers. It is available in warm white and daylight white and 5 beam angles: 30°, 45° and 85°. Specific models with beam angles and lumen output are as follows: R4-MR16-WHT-W-30 (3000k ±200k; 30° and 285 lumens ±10%), R4-MR16-WHT-W-45 (3000k ±200k; 45° and 270 lumens ±10%), R4-MR16-WHT-W-85 (3000k ±200k; 85° and 245 lumens ±10%), R4-MR16-WHT-D-30 (5500k ±200k; 30° and 350 lumens ±10%), R4-MR16-WHT-D-45 (5500k ±200k; 45° and 330 lumens ±10%), R4-MR16-WHT-D-85 (5500k ±200k; 85° and 260 lumens ±10%). Length: 38mm; Diameter: 49.5mm.

13. R4-GU10-WHT: This 6-watt lamp has a GU10 base and features a new heatsink that allows for higher lumen output. It is available in warm white and daylight white and 5 beam angles: 30°, 45°, and 85°. Specific models with beam angles and lumen output are as follows: R4-GU10-WHT-W-30 (lens) (3000k ±200k; 30° and 285 lumens ±10%), R4-GU10-WHT-W-45 (3000k ±200k; 45° and 270 lumens ±10%), R4-GU10-WHT-W-85 (lens) (2700k ±200k; 85° and 245 lumens ±10%), R4-GU10-WHT-D-30 (5500k ±200k; 30° and 350 lumens ±10%), R4-GU10-WHT-W-45 (5500k ±200k; 45° and 330 lumens ±10%), R4-GU10-WHT-D-85 (5500k ±200k; 85° and 260 lumens ±10%). Length: 46.2mm; Diameter: 49.5mm.

14. R4-E27-WHT: This 6-watt lamp is available in E10, E11, E14, E17, E26 and E27 base and features a new heatsink that allows for higher lumen output. It is available in warm white (3000k ±200k) and daylight white and 5 beam angles: 30°, 45°, and 85°. Specific models with beam angles and lumen output are as follows: R4-E27-WHT-W-30 (lens) (3000k ±200k; 30° and 285 lumens ±10%), R4-E27-WHT-W-45 (3000k ±200k; 45° and 270 lumens ±10%), R4-E27-WHT-W-85 (lens) (2700k ±200k; 85° and 245 lumens ±10%), R4-E27-WHT-D-30 (5500k ±200k; 30° and 350 lumens ±10%), R4-E27-WHT-W-45 (5500k ±200k; 45° and 330 lumens ±10%), R4-E27-WHT-D-85 (5500k ±200k; 85° and 260 lumens ±10%) Length: 62.1mm; Diameter: 49.5mm.

R4 Single-Color Lamps

R4-MR16 lamps are available in single colors: red, blue, green and amber. There is an MOQ of 250 pcs.

R4-E27 and R4-GU10 lamps are available in red and blue. For green and amber, there is a minimum order quantity of at least 1,000 pcs because the LEDs have to be specially packaged with phosphor. (Because the color can vary from batch to batch, the order quantity should be sufficient to handle a given project.)

15. R4-DL6-WHT Downlight: The 12W R4-DL6-WHT is a lightweight and thin 6-inch downlight requiring only 10cm of ceiling space. Equal to 60W incandescent lamps, the lights have a single light source with no dark spots. Lumen output ranges from 610 lm $\pm 10\%$ for warm-white (3000K ± 300 K) to 720 lm $\pm 10\%$ for daylight white (5500K ± 500 K). Beam angle is 150°. Dimmable models are also available. Dimensions: 67 x \varnothing 175mm.

16. R4-DL8-WHT Downlight: The 24W R4-DL8-WHT is a lightweight and thin 8-inch downlight requiring only 10cm of ceiling space. The lights have a single light source with no dark spots. Lumen output ranges from 1,220 lm $\pm 10\%$ for warm-white (3000K ± 300 K; CRI 80) to 1,440 lm $\pm 10\%$ for daylight white (5500K ± 500 K; CRI 80). Beam angle is 150°. Dimensions: 84 x \varnothing 240mm.

17. R4-DL6-RGB Downlight: The R4-DL6-RGB is a 12W color-changing RGB lamp with a single light source that results in no dark spot. It has an IR receiver that allows the lamp to be activated by the TRISTAR-IR1627 remote controller as well as a line switch. It is lightweight and thin, requiring only 10cm of ceiling space.

18. R4-A19-WHT: Two types of LED A19 lamps are available in the R4 Series – the 6W R4-A19-WHT-6U and the 10W R4-A19-WHT-10U. The ‘U’ refers to universal voltage (100~240Vac). The R4-A19-WHT-6U lamps are lightweight, only 50g, have a uniform light source and provide the same brightness as a 40W incandescent lamp with up to 85% power savings.

Models are available in daylight white (5500K ± 500 K; CRI >70; 450 lumens) and warm-white (3000K ± 300 K; CRI >70; 380 lumens). The base is E27.

The R4-A19-WHT-10U lamps are lightweight, 75g, have a uniform light source and provide the same brightness as a 60W incandescent lamp with up to 85% power savings. Models are available in daylight white (5500K ± 500 K; CRI >70; 850 lumens) and warm-white (3000K ± 300 K; CRI >70; 720 lumens).

The R4-A19-WHT-120 (110Vac; <100mA) and R4-A19-WHT-230 (220Vac; <50mA) lamps are dimmable with a TRIAC dimmer. Models are available in daylight white (5500K ± 500 K; CRI >70; 850 lumens) and warm-white (3000K ± 300 K; CRI >70; 720 lumens).

Dimmable and non-dimmable models of the R4-A19-WHT-10 are also available with CRI80. Dimmable models are available in daylight white (5500K ± 500 K; CRI >80; 720 lumens) and warm-white (3000K ± 300 K; CRI >80; 610 lumens).

Non-dimmable models are available in daylight white (5500K ± 500 K; CRI >80; 720 lumens) and warm-white (3000K ± 300 K; CRI >80; 610 lumens).

The R4-A19-WHT-10U and the dimmable lamps are available with an E26, E27 or B22 base.

19. R4-G24-WHT-8: The R4-G24-WHT-8 is an 8W G24 lamp with CREE or Taiwan LEDs. It has a beam angle of 270° and a rotary angle. With CREE LEDs it is available in daylight-white (5300K ± 300 K; CRI >70; 550 lumens $\pm 10\%$) and warm-white (3000K ± 300 K; CRI >80; 500 lumens $\pm 10\%$). With Taiwan LEDs it is available in daylight-white (5300K ± 300 K; CRI >70) and warm-white (3000K ± 300 K; CRI >80).

20. R3-MR16-WHT: The 5W R3-MR16-WHT lamp can be used in enclosed fixtures. The 5-watt MR16 LED lamp has a GU5.3 bi-pin base. It is dimmable with AC linear transformers. Specific models with beam angles and lumen output are as follows: R3-MR16-WHT-W-30 (3000k ±200k; 30° and 250 lumens ±10%), R3-MR16-WHT-W-45 (3000k ±200k; 45° and 235 lumens ±10%), R3-MR16-WHT-D-30 (5500k ±200k; 30° and 300 lumens ±10%), R3-MR16-WHT-D-45 (5500k ±200k; 45° and 285 lumens ±10%). Length: 38mm; Diameter: 49.5mm.

21. R1-MR16-WHT: The R1-MR16-WHT LED lamps are economical 4-watt MR16 lamps with a GU5.3 bi-pin base. They are available in daylight white (5500k ±200K; CRI 70) and warm-white (3000K ±200K; CRI 70). Lumen output and beam angles are as follows: R1-MR16-WHT-30 (WHT-D: 250 lm ±10%; WHT-W: 200 lm ±10%; Beam angle: 30°) and the R1-MR16-WHT-45 (WHT-D: 240 lm ±10%; WHT-W: 190 lm ±10%; Beam angle: 45°)

22. COZY-A19-WHT: The COZY-A19-WHT Series are dimmable 5W weatherproof lamps with an IP65 rating for outdoor use. The lamps feature the same patented optical lens design as the AMBY-A19-WHT that provides nearly a 360° light distribution. Dimmable with TRIAC dimmers, the lamps are available in warm white (3000K ±200K; CRI 83; 290 lm ±10%; power factor: 0.94) and daylight white (5000K ±200K; CRI 82; 322 lm ±10%; power factor 0.92).

23. CANDLE Series. The 3W CANDLE-E12-WHT-110/220 and CANDLE-E14-WHT-110/220 lamps are lightweight (31g), candelabra LED lamps available in CANDLE (CA) and CRYSTAL (CR) models. Lumen output is as follows: CANDLE-E12/E14-WHT-D-110/220-CA (5500K ±500K) 200 lumens; CANDLE-E12/E14-WHT-D-110/220-CR (5500K ±500K) 170 lumens; CANDLE-E12/E14-WHT-W-110/220-CA (3000K ±300K) 170 lumens; CANDLE-E12/E14-WHT-W-110/220-CR (3000K ±300K) 140 lumens;

24. TRISTAR®-IR1627 Remote Controllers: These provide a remote control function and are available in a large (L) or small (S) size. *The remote can activate four color-changing patterns, 16 single colors and four color-intensity levels.*

Other Light Sources:

25. AQUA™-RGB Series: The AQUA™-RGB Series are lamps with an IP68 rating for underwater applications. The AQUA™-RGB-60 is a 24V, 60-watt, IP68 rated RGB lamp suitable for pool lighting. This 90mm (dia.) x 120 mm (H) lamp has a 60 ° beam angle.

The AQUA™-RGB-30 and the AQUA™-RGB-15 are 12V 30-watt and 15-watt lamps respectively.

26. AQUA™-WHT Series: The AQUA™-WHT Series are lamps with an IP68 rating for underwater applications. The AQUA™-WHT-60 is a 24V, 60-watt, IP68 rated lamp suitable for pool lighting. This 90mm (dia.) x 120 mm (H) lamp has a 60 ° beam angle and a lumen output of 4,200~4,800 lumens. The AQUA™-WHT-30 is a 12V, 30-watt, IP68 rated lamp suitable for pool lighting. This 63.5mm (dia.) x 95 mm (H) lamp has a 60 ° beam angle and a lumen output of 2,100~2,400 lumens. The AQUA™-WHT-15 is a 12V, 15-watt, IP68 rated lamp suitable for pool lighting. This 50mm (dia.) x 65mm (H) lamp has a 60 ° beam angle and a lumen output of 1,050~1,200 lumens. Color temperatures available are warm white (3300K ±100K) and daylight white (5500K ±250K). The lamps come with a 5-meter cable and mounting brackets.

27. BOBBY™-AR111-RGB-40-DMX. The BOBBY™-AR111-RGB-40-DMX is a 24-watt AR111 RGB color-changing spot light with a 40° beam angle together with the CCD350-DMX-24 – 350mA Constant Current Driver (24VDC, 24W Max.; with auto DMX address setting).

28. EZSTAR™-RGB LED Modules: EZSTAR™-RGB LED modules are suitable for cabinet, accent and cove lighting and are available in 10 cm and 30 cm lengths. EZSTAR™-RGB waterproof models with an IP67 protection rating are available.

29. EZSTAR™-Single-Color LED Modules: EZSTAR™-Single-Color LED modules are suitable for cabinet, accent and cove lighting and are available in red, green, blue and amber, plus warm white (2900k ±100k) and daylight white (5500k), and in lengths of 15 cm and 30 cm. EZSTAR™—WHT waterproof models with an IP67 protection rating are available.

30. HIGH-BAY Series: This series of LED high-bay lamps are available in 120W, 150W and 180W models with either an E39 and E40 base, a foundation base (with UL and ETL approval), a ring and bare wires, or a foundation base with a ring and bare wires. They are available with CREE, Nichia or local Taiwan LED chips. The lamps are lightweight and easily installed and have an automatic protection shut-off when the temperature rises above 105° C. The 180W models outperform 450W metal halide bulbs. The high-bay lamps are suitable for factories, warehouses, auditoriums and convention centers.

The HB-F-WHT-XXX lamps with stand are now UL and ETL certified.

The lamps are available with either a diffused lens to reduce glare or a transparent lens for maximum lumen output. The following lumen output figures are based on lamps with the transparent lens.

HB-XXX-WHT-120: 120W high-bay lamps with Nichia chips (CRI 80) and a lumen output of 11,500 lumens.

HB-XXX-WHT-150: 150W high-bay lamps with Nichia chips (CRI 80) and a lumen output of 14,500 lumens.

HB-XXX-WHT-180: 180W high-bay lamp with Nichia chips (CRI 80) and a lumen output of 17,200 lumens.

HB-XXX-WHT-120: 120W high-bay lamps with CREE chips (CRI 80) and a lumen output of 9,600 lumens.

HB-XXX-WHT-150: 150W high-bay lamps with CREE chips (CRI 80) and a lumen output of 13,200 lumens.

HB-XXX-WHT-180: 180W high-bay lamp with CREE chips (CRI 80) and a lumen output of 14,200 lumens.

HB-XXX-WHT-120-T: 120W high-bay lamps with Taiwan chips (CRI 70) and a lumen output of 9,200 lumens.

HB-XXX-WHT-150-T: 150W high-bay lamps with Taiwan chips (CRI 70) and a lumen output of 11,500 lumens.

HB-XXX-WHT-180-T: 180W high-bay lamp with Taiwan chips (CRI 70) and a lumen output of 13,800 lumens.

The High-Bay Series are also available in waterproof models with IP65 protection factor.

31. HIGH-BAY with DMX dimming: Now available are the HB-F-WHT-D-120-DMX and the HB-F-WHT-D-150-DMX that can be controlled by the iDIMMER-DMX. The lamps come with the iDRIVER-DMX that communicates with the controller for DMX dimming. The lamps are available with either CREE, Nichia or local Taiwan chips. Multiple lamps can be connected for zone dimming.

32. LOW-BAY Series. 60W and 90W low-bay LED lamps with an E40 base or a ring with bare wires are available with CREE or Nichia LEDs. The 60W LB-XXX-WHT-60 LED lamp with Nichia chips (5500K ±200K) has 5,700 lumens and a CRI of 70. The 90W LB-XXX-WHT-90 LED lamp with Nichia chips (5500K ±200K) has 8,600 lumens and a color rendering index of 70.

The 60W LB-XXX-WHT-60 LED lamp with CREE chips (5500K ±200K) has 5,230 lumens and a CRI of 70. The 90W LB-XXX-WHT-90 LED lamp with CREE chips (5500K ±200K) has 7,850 lumens and a CRI of 70.

33. LUXMAN™-12 Commercial Flood Light: The 30-watt LUXMAN™-12 commercial flood light has 12 x 2.5-watt LEDs and a lumen output of 1,600 lumens for warm white and 1,680 lumens for daylight white. It is suitable for gas station, parking lot, entryway or lobby lighting.

34. LUXMAN™- WHT Wall Washer Series. LUXMAN™-WHT Wall Washers with an IP67 rating are now available in both warm white and daylight white. Models include the 30-watt LUXMAN™-12-WHT (1,600 lumens for warm white and 1,680 lumens for daylight white), the 40-watt LUXMAN™-16-WHT (2,130 lumens for warm white and 2,240 lumens for daylight white), the 60-watt LUXMAN™-24-WHT (3,200 lumens for warm white and 3,360 lumens for daylight white) and the 90-watt LUXMAN™-36-WHT (4,800 lumens for warm white and 5,040 lumens for daylight white).

35. LUXMAN™-SL V2.0 Series Street Lights: The LUXMAN™-SL V2.0 Series LED Street Lights with 2.5W LEDs are IP67 rated and provide lighting for streets, alleys, courtyards, parks and walkways. Ten models are available: the LUXMAN™-SL-3x4 (30 watts; 2,400 lumens), LUXMAN™-SL-3x5 (37 watts; 2,960 lumens), LUXMAN™-SL-3x6 (45 watts; 3,600 lumens), LUXMAN™-SL-3x7 (52 watts; 4,160 lumens), LUXMAN™-SL-6x3 (45 watts; 3,600 lumens), LUXMAN™-SL-6x4 (60 watts; 4,800 lumens), LUXMAN™-SL-6x6 (90 watts; 7,200 lumens), LUXMAN™-SL-6x8 (120 watts; 9,600 lumens), LUXMAN™-SL-6x10 (150 watts; 12,000 lumens) and LUXMAN™-SL-6x12 (180 watts; 14,400 lumens).

36. LUXMAN™-SL V2.2 Series Street Lights: The LUXMAN™-SL V2.2 Series LED Street Lights feature new heatsinks allowing for higher 3.3W LEDs. They are IP67 rated and provide lighting for streets, alleys, courtyards, parks and walkways. Four models are available: the LUXMAN™-SL-6x5 (100 watts; 8,000 lumens), LUXMAN™-SL-6x6 (120 watts; 9,600 lumens), LUXMAN™-SL-6x8 (160 watts; 11,200 lumens) and the LUXMAN™-SL-6x10 (200 watts; 12,800 lumens).

37. SunSumLite. The SunSumLite is a 1W solar-powered LED lamp with 90~100 lumens and an optional mobile phone charger. It can be used as a flashlight or as a light-source while camping or in rural areas in developing countries with minimal electrical power. The SunSumLite comes with a solar module for charging. There are three light settings that provide continuous lighting for periods of 4 hours (high), 10 hours (medium) and 200 hours (low).

38. STARSTREAM™24 Single-Color Light Strips: The STARSTREAM™24 Single-Color light strip is a 24VDC flexible strip available in warm white (3000k) and daylight white (5000k), red, green, blue and amber. The maximum usable length of the single-color light strips is 30 meters.

39. STARSTRIP™-24-RGB Light Strips: The STARSTRIP™-24-RGB light strips are 24V color-changing light strips with 14 x SMD RGB LED in each 30 cm length of rigid aluminum alloy. Each 30 cm length has a power consumption of 3.4 watts. They are available in lengths of 32, 62, 92 and 122 cm. Waterproof models with an IP67 protecting rating are also now available.

40. STARSTRIP™-24 Single-Color Light Strips: The STARSTRIP™-24-WHT light strips are 24V light strips with 16 x SMD single-color LED in each 30 cm length of rigid aluminum alloy. Each 30 cm of length has 5 watts of power consumption and a lumen output of 180 lumens. They are available in warm white (3300k) and daylight white (5000k). They are available in lengths of 32, 62, 92 and 122 cm. Waterproof models with an IP67 protection rating are also now available.

41. T5™. The T5™ is a 24V strip light 58 cm in length with 21 LEDs x 0.4W for a total of 8.4 watts. Available in both warm white (3000k) and daylight white (6000k), the T5™ is ideal for office lighting, cabinet lighting or other small area lighting. Up to four T5™ light strips can be connected together.

42. TB600 LED Ceiling Panels: These 40W T-bar 60x60 LED light panels are ultra-thin (10 mm) and feature a uniform light source with no hot spot and no stacking shadow. They are ideal for offices, conference rooms, hotels, factories or other commercial lighting applications.

The panels are available in warm white (3000K ±300K; CRI 80; 3,000 lumens) and daylight white (5500K ±500K; CRI 80; 3000 lumens). Non-dimmable, dimmable and CCT changing (2700K~5500K) models are available.

43. TB600 series LED panel light with UL certification – The ultra-thin (10mm) panels available are the TB-2x2-WHT (50W), TB-1x2-WHT (50W) and the TB-2x4-WHT (75W). They are available in 3000K, 4000K and 5000K color temperatures, or the warm-white, natural-white and day-light white.

44. TRISTAR-T8 Series: The TRISTAR-T8 Series are 60cm (10W) and 120cm (20W) T8 tubes with diffused lens. These LED T8 replacements are available in either daylight-white (5000~5500K) or warm-white (2600~3300K). Lumen output for the 60cm models are 800 lumens for daylight-white and 650 lumens for warm-white. Lumen output for the 120cm models are 1,800 lumens for daylight-white and 1,500 lumens for warm-white.

45. ZZ-BRIGHT™-WHT Channel Letter LEDs: ZZ-BRIGHT™ channel-letter LEDs are suitable for tube lights, box signage, 3D letters, decoration lighting and indirect lighting. The ZZ-BRIGHT™-215-WHT has 2 high-brightness SMD-type LEDs on each PCB and the ZZ-BRIGHT™-415-WHT has 4 high-brightness SMD-type LEDs on each PCB. Both models have a constant current regulating IC to provide the same level of brightness, protect against power surges and extend the lifetime of the LEDs. The PCBs have a water resistant coating that prevents water from entering the PCB and causing corrosion. They are available in warm white (3200k), daylight white (4000k) and cool white (6500k), as well as red, blue, green and amber.

46. ZZ-BRIGHT™ -RGB Channel Letter LEDs: ZZ-BRIGHT™-RGB channel-letter LEDs are suitable for tube lights, box signage, 3D letters, decoration lighting, indicating lighting and indirect lighting. Each PCB has 3 SMD-type RGB LEDs. Operating voltage is 12V, maximum power consumption is 1.7W per foot (15.2 cm) and the beam angle is 120°.

DMX Drivers

1. CCD-DMX-150: The CCD-DMX-150 is a 3-channel high-power LED DMX driver with an auto-addressing system that detects an ID automatically. It receives DMX512 signals and outputs PWM signals in order to control gray scales and produce vibrant colors. It can be used with 350mA constant current RGB devices with a Vled of 10V~20V.

Bluetooth Portable Speaker

1. Bbox3 – The Bbox3 is a portable, Bluetooth speaker that can be used with any smartphone, tablet or other suitable 3C device.

Manufacturers

We design and develop our LED lighting products using our own engineers, and then out-source the manufacturing to vendors of different disciplines. These various vendors are all located in Taiwan. In order to secure a long-term supply and strategic partnership, we also make substantial investments or acquire equity in these vendors as well. We have made investments in manufacturers through our wholly owned subsidiary, ColorStars Taiwan. The manufacturers we are currently invested in are Anteya Technology Corporation, a Taiwanese corporation (“Anteya”) and Fin-Core. Furthermore, we also utilize Jun Yee as a contract manufacturer to manufacture certain products of ours. As described in further detail under the Significant Business Transactions Overview paragraph under the Description of Business section, we no longer own any equity interest in Jun Yee. We have not entered into a written agreement for the manufacturing of our products with any of these manufacturers.

Since 2004, we have owned 20% of the outstanding common shares of Anteya Technology Corporation. Anteya provides the OEM service to us for the TRISTAR, EZSTAR, R4, LUXMAN, and HB series of product lines. Anteya is an important strategic manufacturer for us as we rely upon Anteya for its expertise of LED packaging, electronic engineering and software design.

As described in further detail in the Significant Business Transactions Overview paragraph under the Description of Business section, we own 5.19% of the outstanding common shares of Fin-Core. Fin-Core produces the BOBBY series of LED lamps for us. Additionally, Fin-Core develops high quality thermal management technology which is an integral part of LED lighting applications.

While we do not own any equity interest in Jun Yee, Jun Yee currently serves as an important contract manufacturer for us. Jun Yee produces the T5, TB, ZZ-BRITE, JEDSTAR and STARSTRIP series of LED lamps for us. Jun Yee provides a strategic advantage to us as Jun Yee's manufacturing plants have state of the art surface mount device machines, testing labs, burn-in chambers, and complete assembly lines which allows for Jun-Yee to effectively and efficiently produce LED lighting products.

We are highly dependent upon the above mentioned manufacturers to produce our LED lighting products. If production at any one of our manufacturers' manufacturing plants is disrupted for any number of reasons, manufacturing yields may be adversely affected and we may be unable to meet our customer's requirements. Consequently, our customers may purchase LED lighting products from our competitors. This could result in significant loss of revenues and damage to our customer relationships, which could have a material adverse effect on our business, results of operations, and financial condition.

Distributors and Suppliers

We granted a small number of certain distributors the right in defined territories to distribute our products. We have not entered into any written agreements with these distributors. As such, if our distributors are not adequately performing, we have the option to terminate our relationship at any time with them. Our distributors could also discontinue marketing and distributing our products with little or no notice. If our distributors were to discontinue marketing and distributing our products for any reason, we believe that, due to an abundance of distributors in the LED lighting product sector, we could find an alternative distributor within a short duration of time; however, until we locate another distributor, our business and results of operations could be adversely impacted.

We are not dependent on, nor expect to become dependent on, any one or a limited number of suppliers for essential raw materials or other items. Our manufacturing operations, which are outsourced to various companies, are located in Taiwan where there is an extensive infrastructure of companies supplying raw materials to the LED lighting industry. In 2013, we added one new distributor in the Middle East region and one new distributor in Germany. Our largest supplier accounted for approximately 23.72% of total purchases by the Company in 2015.

Customers

We sell our products primarily to professional wholesale lighting distribution companies, some of whom are companies with many years of experience distributing traditional lighting products and some of whom are strictly distributors of LED lighting products and have fewer years of experience. We also distribute our LED lighting to lighting engineers engaged in specific lighting projects. Typically, we do not sell our products directly to end-users. Our largest customer accounted for approximately 61% of the total revenue in 2016.

In 2015 we began to experience an overall decrease in the number of customers globally, as global competition increased. At this time, the LED market is being flooded with low-priced products from China. Many of our customers are either evaluating or switching to low-priced suppliers as opposed to opting for premium quality products with superior engineering and design.

Product Research and Development

We are not currently engaged in any research and development activities.

Competition

We sell our products globally primarily to lighting distributors selling LED lamps and lighting fixtures for commercial lighting. As forecast in the Next Generation Lighting Industry Alliance (“NGLIA”) report, we expect this market to grow rapidly, especially as incandescent and fluorescent lamps are replaced by LEDs in commercial lighting because of energy savings, greater design flexibility, the elimination of pollutants, greater ruggedness, longer lifetimes and lack of catastrophic failures.

Competition in the market in which we sell our products is primarily based on price and the frequent introduction of new products to the market using the latest available technology. Our outsourced manufacturing operations in Taiwan, as well as the location of our research and development staff in Taiwan, allows us to take full advantage of a well-developed infrastructure of high-technology companies and well-trained engineers in the SSL industry.

Our principal competitors are Revolution Lighting Technologies, Inc. (NASDAQ: RVLT) and Lighting Science Group (OTC: LSCG) in U.S.A., Philips and Osram in Europe, and Toshiba, and Panasonic in Japan. We also expect increased competition from major traditional lighting companies such as General Electric (NYSE: GE), Westinghouse, and Acuity Brands who have or are developing LED lighting products.

We believe that we can compete successfully with our competitors because of lower manufacturing costs and the close proximity of our research and development operations to one of the world’s most advanced high-tech centers – Taipei – Hsinchu, Taiwan - which offers a supply of highly-trained engineers and the latest in SSL technology.

Strategy

As low-priced competitors from China greatly affected our 2016 performance, we have been more conservative in selecting projects and have attempted to avoid transactions with low margins and high risk. We have also decreased our promotional and selling expenses, such as costs associated with attending trade shows. Further, we have decided not to sell our products through retail channels, since payment terms can be long, and the shelf life of our products may be limited as less expensive products follow us into the same stores.

Going forward, our primary strategies will be:

(i) expanding our product line by utilizing our strong research and development capabilities to add new lighting options to our current product range that includes low cost and/or low energy lighting for commercial and residential lighting applications. Among these products are a series of LED bulbs for the direct replacement of incandescent bulbs or compact fluorescent lamps (“CFL”). These LED bulbs range from 5 watts to 12 watts and will directly replace 35~60-watt incandescent bulbs or 10~25 watt CFL lamps.

(ii) expanding our distribution channels in both existing and new markets internationally by utilizing both direct and indirect sales organizations. We believe, based on our market research, that there is a high demand for commercial and advertising LED lighting products in the U.S. markets. As Fin-Core and Jun Yee manufacture commercial and advertising LED lighting products, we consequently believe that our relationship with these companies will help with our expansion into this market.

Favorable factors that will enhance our marketing position and increase revenues are the continuing trends of price reductions of LED chips and the technological improvements in the increased lumen output of LEDs. Both factors will increase the speed in which LED lights are adopted in both commercial and residential lighting in general.

Intellectual Property

(a) Patents.

We have been issued patents for “high power LED color bulb with infrared remote function” in Taiwan, UK, Germany, France, and the USA. This patent covers the technology in the TriStar series of RGB lamp. We designed a new line of the R5 series of LED lamps in 2011. All of the associated safety marks and certificates were granted for the R5s for their sales into the North American European markets. A total of three different patents were awarded around the new R5 series of lamps in various countries. The R5-PAR38 lamp was also awarded with the reputable Red Dot Award in Germany. We would expect the new R5 to replace the old BOBBY lines.

There are a total of 22 patents filed and granted in various countries as of to date.

(b) Trademarks and Service Marks.

We use the trademarks “ColorStars”, “TriStar”, “StarStream”, and “PAVO” which are registered trademarks in various countries worldwide. All trademarks, service marks and copyright registrations associated with the business are registered in the name ColorStars Group and expire over various periods of time. We intend to vigorously defend against infringements of our trademarks, service marks and copyrights.

Government Regulations and Standards

The largest segment of the lighting industry consists of incandescent light bulbs. Governments, throughout the world, have passed measures to phase out incandescent light bulbs. In some jurisdictions, this has been done through legislation, while others, through voluntary measures. The aim is to encourage the use of more energy efficient lighting alternatives such as the CFL and the LED lamps.

CFL's, like all fluorescent lamps contain small amounts of mercury as vapor inside the glass tubing. This does have an element of environmental concern and although it does not pose any significant health risk to exposed adults or children, there has been some worry within the lighting industry with respect to this matter. We claim our overall compliance costs to not be material and are similar to our competitors. Because our products are designed to meet energy efficiency targets greater than are now in effect in our markets, we expect tighter environmental and energy regulations to increase demand for our products. However, new or altered certification programs could delay our ability to sell our products in certain markets.

Environmental Regulations

ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping us all save money and protect the environment through energy efficient products and practices. The Energy Star is awarded to only certain bulbs that meet strict efficiency, quality, and lifetime criteria. Energy Star Qualified LED Lighting:

- Reduces energy costs — uses at least 75% less energy than incandescent lighting, saving on operating expenses.
- Reduces maintenance costs — lasts 35 to 50 times longer than incandescent lighting and about 2 to 5 times longer than fluorescent lighting. There are no bulb-replacements, no ladders, no ongoing disposal program.
- Reduces cooling costs — LEDs produce very little heat.
- Is guaranteed — comes with a minimum three-year warranty — far beyond the industry standard.
- Offers convenient features — available with dimming on some indoor models and automatic daylight shut-off and motion sensors on some outdoor models.
- Is durable — won't break like a bulb.
- To qualify for Energy Star certification, LED lighting products must pass a variety of tests to prove that the products will display the following characteristics:
- Brightness is equal to or greater than existing lighting technologies (incandescent or fluorescent) and light is well distributed over the area lighted by the fixture.
- Light output remains constant over time, only decreasing towards the end of the rated lifetime (at least 35,000 hours or 12 years based on use of 8 hours per day).
- Excellent color quality. The shade of white light appears clear and consistent over time.
- Efficiency is as good as or better than fluorescent lighting.
- Light comes on instantly when turned on.
- No flicker when dimmed.
- No off-state power draw. The fixture does not use power when it is turned off, with the exception of external controls, whose power should not exceed 0.5 watts in the off state.

Employees

As of December 31, 2016, we had a total of 4 full-time employees and 1 part-time employee. There are no collective bargaining agreements between us and our employees. We do not have any supplemental benefits or incentive arrangements for employees at the present time.

Reports to Security Holders

We are a reporting company and will comply with the requirements of the Exchange Act. We will file quarterly and annual reports and other information with the SEC, and we will post a copy of our annual report together with audited consolidated financial statements on our website.

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be found at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

As we are a smaller reporting company, we are not required to provide the information required by this item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any property, real or otherwise. We currently lease the following properties:

We lease our principal office from Mr. Wei-Rur Chen, our president, at a consideration of NTD \$120,000 (USD \$4,133.51) per month (NTD \$1,440,000 (USD \$48,510.03) annually). The initial lease term for the agreement was from November 2005 to November 2010. The lease was extended for another five (5) years to November 2015. The lease was then extended for another five (5) years to November 2020. This office is the main operational office in Taiwan with the address of 10F, No. 566 and 568 Jungjeng Road, Sindian City, Taipei County, Taiwan 231.

We believe that our current facilities are adequate for our needs through the next twelve months, and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations on commercially reasonable terms, although there can be no assurance in this regard. There are no written agreements. We have no plans to acquire any property in the immediate future.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings that have occurred within the past year concerning our directors, or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one's participation in the securities or banking industries, or a finding of securities or commodities law violations.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our Common Stock trades on the OTC Bulletin Board under the symbol "CSTU". The following table sets forth, for the periods indicated, the high and low bid information for our Common Stock as determined from sporadic quotations on the OTC Bulletin Board. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	<u>High</u>	<u>Low</u>
Year Ended December 31, 2016		
First Quarter	\$ 0.06	\$
Second Quarter	\$ 0.02	\$
Third Quarter	\$ 0.61	\$
Fourth Quarter	\$ 0.04	\$
Year Ended December 31, 2015		
First Quarter	\$ 0.086	\$
Second Quarter	\$ 0.0415	\$
Third Quarter	\$ 0.04	\$
Fourth Quarter	\$ 0.033	\$

Security Holders

As of December 31, 2016, there were 289 record holders of 67,448,890 shares of our Common Stock

Dividends

Dividends, if any, will be contingent upon our revenues and earnings, capital requirements and financial conditions. The payment of dividends, if any, will be within the sole discretion of our Board of Directors. We presently intend to retain all earnings, if any, for use in our business operations.

Securities authorized for issuance under equity compensation plans

We have never and have no current plans to issue securities under any equity compensation plans.

Common Stock

The authorized capital stock of our Company consists of 450,000,000 shares of Common Stock, par value \$0.001 per share, of which there are 67,448,890 issued and outstanding.

All outstanding shares of Common Stock are of the same class and have equal rights and attributes. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. Our stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by our Board of Directors out of funds legally available. In the event of liquidation, the holders of our Common Stock are entitled to share ratably in all assets remaining after payment of all liabilities. Our stockholders do not have cumulative or preemptive rights.

Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 50,000,000 shares of Preferred Stock, par value \$0.001 per share, with designations, rights and preferences including rights to dividend, liquidation, conversion, voting, or other rights determined from time to time by our Board of Directors, without shareholder approval. Up to this point in time, we have not designated or issued any shares of Preferred Stock.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information required by this item.

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

(a) Liquidity and Capital Resources.

Our revenues are primarily derived from sales of the LED devices and systems described above. Although our financial results are mainly dependent on sales, general and administrative, compensation and other operating expenses, our financial results have also been dependent on the level of market adoption of LED technology as well as general economic conditions.

Lighting products remained relatively static for 50 years until recently, when lighting became one of the last major markets to be transformed substantially by new technology. Because LED technology remains an emerging and expensive technology that has only recently become more economically viable, market adoption has been slow. Given the current economic downturn, liquidity has been constrained forcing institutions and individuals to substantially reduce capital spending to focus only on critical path expenditures. LED lighting products have been a discretionary rather than mandatory investment, and as a result, sales of our devices and systems have been negatively impacted. We believe that as the global economy grows and provides institutions and individuals with greater liquidity, sales of our devices and systems will increase.

Increased market awareness of the benefits of LED lighting, increasing energy prices and the social movement influencing individuals and institutions towards greater investment in energy-efficient products and services will have, we believe, an increasingly positive impact on our sales in the future. Additionally, we intend to utilize our strategic partnerships to help us reduce the component and production costs of our devices and systems in order to offer them at competitive prices. Further, we believe our ability to provide attractive financing options to our clients with respect to the purchase of our devices and systems will positively affect our sales.

Net cash (used in) provided by operating activities. During the fiscal year ended December 31, 2016, net cash used in operating activities was \$(230,611) compared with \$(40,559) used in operating activities for the fiscal year ended December 31, 2015. The cash flow used in operating activities in the fiscal year ended December 31, 2016 was primarily the result of increase in net loss and decrease in accounts payable. The cash flow used in operating activities in the fiscal year ended December 31, 2015 was primarily the result of net loss and accounts payable.

Net cash (used in) provided by investing activities. During the fiscal year ended December 31, 2016, net cash used in investing activities was \$0 compared with \$(10,002) used in investing activities for the fiscal year ended December 31, 2015. The cash flow used in investing activities in the fiscal year ended December 31, 2015 was primarily the result of the newly installed air conditioning units in the Taiwan office. No cash flow was used in investing activities in the fiscal year ended December 31, 2016.

Net cash (used in) provided by financing activities. During the fiscal year ended December 31, 2016, net cash provided by financing activities was \$202,444 compared with \$20,000 provided by financing activities for the fiscal year ended December 31, 2015. Net cash flow generated in financing activities in the fiscal year ended December 31, 2016 was from the increase of the long term loan from Chailease Finance Co., Ltd. and the shareholder advance from chairman Wei-Rur Chen.

The Company need to raise additional capital from external sources or from shareholder loans to support its operation. There is no assurance that the Company will be able to obtain funding with acceptable terms.

We currently have an outstanding short-term loan with Bank SinoPac of Taiwan. We entered into one written, short-term loan agreements with this bank on February 25, 2015. The loan is secured by real property of Tsui-Ling Lee, spouse of Wei-Rur Chen, our president and CEO. The terms of the loan agreement is described in further detail in the chart below:

Lender	Borrower	Loan Amount	Term	Interest Rate
Bank SinoPac of Taiwan	ColorStars, Inc.	Seventeen Million New Taiwan Dollars (NTD \$17,000,000)(1)	August 24, 2016 to February 23, 2017	Fixed at 1.94% per annum

(1) NTD \$17,000,000 is approximately USD \$526,591.

(b) Results of operations.

Comparison of Fiscal Year Ended December 31, 2016 to Fiscal Year Ended December 31, 2015

Net Sales. Net sales decreased to \$369,853 for the year ended December 31, 2016 from \$1,279,879 for the year ended December 31, 2015. The decrease in sales was due to market share loss and uncompetitive product range.

Cost of Goods Sold. Cost of goods sold decreased to \$259,818 for the year ended December 31, 2016 from \$1,104,570 for the year ended December 31, 2015. The decrease in cost of goods sold was due to decrease in overall sales.

Gross Profit. Gross profit decreased to \$110,035 for the year ended December 31, 2016 from \$175,309 for the year ended December 31, 2015. The decrease was due to decrease in overall sales. The Company's gross profit margin percentage increased to 29% for the year ended December 31, 2016 compared to 13.7% for the year ended December 31, 2015. The increase in gross profit margin is due to the sale of high margin product range.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to \$236,213 for the year ended December 31, 2016 from \$627,202 for the year ended December 31, 2015. The decrease in selling, general and administrative expenses was primarily related to decrease in bad debt, head counts, office rent, and marketing expenses.

Research and Development. R&D expense decreased to \$1,401 for the year ended December 31, 2016 from \$3,822 for the year ended December 31, 2015.

Depreciation, Amortization, and Depletion. Depreciation, amortization, and depletion decreased to \$25,108 for the year ended December 31, 2016 from \$35,237 for the year ended December 31, 2016, mainly due to less overall value of fixed property after years of use.

Interest Expense. Interest expense increased to \$13,917 for the year ended December 31, 2016 compared with \$10,856 for the year ended December 31, 2015. The increase in interest expense was due to increase of short-term loan.

Net Loss. For the year ended December 31, 2016, we incurred a net loss of \$(162,479) as compared to a net loss of \$(1,027,046) for the year ended December 31, 2015. The net loss was primarily a result of insufficient revenue from sales and low profit margin due to competition and price erosion.

ColorStars products have been sold in over 25 different countries around the world. Product revenues for the fiscal year ended December 31, 2016 are as follows:

<i>Regions</i>	<i>Sales Amount</i>	<i>Percentage (%)</i>
<i>Europe</i>	\$ 107,580	29
<i>Asia</i>	\$ 24,379	6.6
<i>USA</i>	\$ 233,244	63.1
<i>Others</i>	\$ 4,650	1.3
<i>Total</i>	\$ 369,853	100

Product revenues for the fiscal year ended December 31, 2015 are as follows:

<i>Regions</i>	<i>Sales Amount</i>	<i>Percentage (%)</i>
<i>Europe</i>	\$ 379,738	29.67
<i>Asia</i>	\$ 49,350	3.85
<i>USA</i>	\$ 846,722	66.16
<i>Others</i>	\$ 4,069	0.32
<i>Total</i>	\$ 1,279,879	100

Product

Our revenue reported in fiscal year 2016 and 2015 is the consolidated revenue according to GAAP for the Company and its subsidiaries. The “Others” regions presented in the 2016 and 2015 revenue breakdown were for the sales generated from the Middle East (Israel), Australia and New Zealand.

Inflation

We do not believe that inflation in the cost of our raw materials has had in the past or will have in the future any significant negative impact on our operations. However, no assurance can be given that we will be able to offset such inflationary cost increases in the future.

(c) Off-balance sheet arrangements.

Financial instruments that potentially expose concentrations of credit risk primarily consist of cash and cash equivalents, investments and accounts receivable. Management believes there are no significant off-balance-sheet risks such as those associated with foreign exchange contracts, option contracts or other foreign exchange hedging arrangements. With respect to concentration of credit risk, the Company has cash investment policies which, among other things, limit investments to investment-grade securities. Ongoing credit evaluations of the customers are performed and allowances for potential credit losses are maintained.

(d) Contractual Obligations.

Below is a table which presents our contractual obligations and commitments as of December 31, 2016:

Contractual Obligation	Less than 1 Year	1-3 years	3-5 years	After 5 years
Short-term debt Obligations(1)	\$ 526,591	\$ 526,591	\$ 0	\$ 0
Long-term debt Obligations(2)	\$ 67,651	\$ 148,065	\$ 0	\$ 0
Operating Leases(3)	\$ 49,562	\$ 155,066	\$ 34,096	\$ 0
Total contractual cash obligations	\$ 643,804	\$ 829,722	\$ 34,096	\$ 0

(1) Short-term debt obligations: Short-term loans from local SinoPac Bank.

(2) Long-term debt obligations: Long-term loan from sale-byback-agreement with Chailease Finance Co., Ltd.

(3) Operating Leases: Office leases in Taiwan.

Foreign Currency Exchange Rates

The financial statements of our foreign operations are translated into U.S. dollars for financial reporting purposes. The assets and liabilities of foreign operations, as well as the equity accounts whose functional currencies are not in U.S. dollars are translated at the period-end exchange rates, while revenues and expenses are translated at weighted-average exchange rates during the fiscal year. The cumulative translation effects are recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

COLORSTARS GROUP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

COLORSTARS GROUP
CONSOLIDATED FINANCIAL STATEMENTS
(Audited)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of ColorStars Group

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ColorStars Group, Inc. (the Company) as of December 31, 2016 and 2015 and the related consolidated statement of operations and comprehensive loss, stockholders' equity, and cash flows for the two years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has a history of operating losses resulting in a significant accumulated deficit and has negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Fruci & Associates II, PLLC

Fruci & Associates II, PLLC

We have served as the Company's auditor since 2017.

Spokane, WA
September 5, 2018

COLORSTARS GROUP
CONSOLIDATED BALANCE SHEETS
(IN US\$)

	December 31, 2016	December 31, 2015
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 32,433	\$ 24,129
Accounts receivable, net of allowance for doubtful accounts of \$152,710 at December 31, 2016 and \$228,134 at December 31, 2015.	-	21,856
Prepaid expenses and other current assets	53,699	37,349
Total current assets	86,132	83,334
Equipment, net of accumulated depreciation	46,328	62,864
Other assets	8,735	15,005
Total assets	\$ 141,195	\$ 161,203
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Short term loan	\$ 526,591	\$ 517,600
Accounts payable	44,968	152,142
Advance from shareholder	74,379	20,000
Accrued expenses	12,516	12,997
Other current liabilities	19,165	9,060
Current portion of long term loan	67,651	-
Total current liabilities	745,270	711,799
Long term loan	80,414	-
Total liabilities	\$ 825,684	\$ 711,799
Commitments and contingencies		
Stockholders' equity		
Common Stock –Par Value \$0.001 67,448,890 shares issued and outstanding, 450,000,000 shares are authorized at December 31, 2016 and December 31, 2015	67,449	67,449
Additional paid in capital	3,112,230	3,112,230
Accumulated other comprehensive income	200,123	171,537
Accumulated deficit	(4,064,291)	(3,901,812)
Total stockholders equity	(684,489)	(550,596)
Total liabilities and stockholders' equity	\$ 141,195	\$ 161,203

The accompanying notes are an integral part of the financial statements.

COLORSTARS GROUP
CONSOLIDATED STATEMENTS OF OPERATION AND COMPREHENSIVE LOSS
(IN US\$)

	For the year ended December 31,	
	2016	2015
Net sales	\$ 369,853	\$ 1,279,879
Cost of goods sold	259,818	1,104,570
Gross profit	110,035	175,309
Operating expenses		
Selling, general and administrative	236,213	349,589
Bad debt Selling	-	183,048
Rent	44,641	59,328
Depreciation & Amortization	25,108	35,237
Research and development	1,401	3,822
Total operating expenses	307,363	631,024
Loss from operations	(197,328)	(455,715)
Other income (expenses)		
Interest expense (net)	(13,917)	(10,856)
Share of investees operating results (net)	-	-
Loss on inventory write-off	-	(485,719)
Loss on impairment of investments	-	(113,177)
Gain (loss) on foreign exchange, net	(13,154)	35,740
Gain on reversal of bad debts	61,920	-
Other, net	-	524
Loss before income tax	(162,479)	(1,029,203)
Income tax benefit (expense)	-	2,157
Net loss	(162,479)	(1,027,046)
Earnings per share attributable to common stockholders:		
Basic and diluted per share	\$ (0.00)	\$ (0.02)
Weighted average shares outstanding:		
Basic and diluted	67,448,890	67,448,890
Comprehensive loss:		
Net loss	(162,479)	(1,027,046)
Other comprehensive loss:		
Foreign currency translation gain(loss), net of taxes	28,586	(27,044)
Comprehensive loss	\$ (133,893)	\$ (1,054,090)

The accompanying notes are an integral part of the financial statements.

COLORSTARS GROUP
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(IN US\$)

	<u>Shares</u>	<u>Value</u>	<u>Additional Paid in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income</u>	<u>Total Stockholder's equity</u>
Balance, December 31, 2014	67,448,890	\$ 67,449	\$ 3,112,230	\$ (2,874,766)	\$ 198,581	\$ 503,494
Foreign currency translation	-	-	-	-	(27,044)	(27,044)
Net loss	-	-	-	(1,027,046)	-	(1,027,046)
Balance, December 31, 2015	67,448,890	\$ 67,449	\$ 3,112,230	\$ (3,901,812)	\$ 171,537	\$ (550,596)
Foreign currency translation	-	-	-	-	28,586	28,586
Net loss	-	-	-	(162,479)	-	(162,479)
Balance, December 31, 2016	67,448,890	\$ 67,449	\$ 3,112,230	\$ (4,064,291)	\$ 200,123	\$ (684,489)

The accompanying notes are an integral part of the financial statements

COLORSTARS GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN US\$)

	For the year ended December 31,	
	2016	2015
Cash flows from operating activities		
Net (loss)	\$ (162,479)	\$ (1,027,046)
Depreciation and amortization	25,108	35,237
Provision for doubtful accounts	-	183,048
Loss on inventory write-off	-	485,719
Loss on disposal of investments	-	113,177
Gain on reversal of bad debts	(61,920)	-
Share of investment loss (profit)	-	-
Changes in operating assets and liabilities:		
Accounts receivable	83,776	244,799
Inventories	-	178,725
Prepaid expenses and other current assets	(17,547)	14,306
Accounts payable	(107,174)	(252,177)
Accrued expenses	(481)	(8,369)
Receipts in advance and other current liabilities	10,106	(7,978)
Cash flows (used in) operating activities	<u>(230,611)</u>	<u>(40,559)</u>
Cash flows from investing activities		
Addition to fixed assets	-	(10,002)
Cash flows (used in) investing activities	<u>-</u>	<u>(10,002)</u>
Cash flows from financing activities		
Advance from shareholder	54,379	20,000
Increase (decrease) in long-term loans	148,065	-
Cash flows provided from financing activities	<u>202,444</u>	<u>20,000</u>
Effect of exchange rate changes on cash and cash equivalents	36,471	(20,707)
Net (decrease) in cash and cash equivalents	8,304	(51,268)
Beginning cash and cash equivalents	<u>24,129</u>	<u>75,397</u>
Ending cash and cash equivalents	<u>\$ 32,433</u>	<u>\$ 24,129</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 13,958	\$ 10,912
Tax paid	\$ -	\$ 5

The accompanying notes are an integral part of the financial statements.

COLORSTARS GROUP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Business and Basis of Presentation

Nature of Business – Circletronics Inc., now ColorStars Group (“the Company”), was incorporated in Canada on January 21, 2005. Circletronics Inc.- was redomiciled to Nevada and its name changed to ColorStars Group on November 3, 2005. ColorStars Group owns 100% of the shares of ColorStars Inc.

Color Stars Inc. (“Color Stars TW”, “the Subsidiary”) was incorporated as a limited liability company in Taiwan, Republic of China in April 2003 and commenced its operations in May 2003. The Company through its wholly owned Subsidiary is mainly engaged in manufacturing, designing and selling light-emitting diode and lighting equipment. As LED lighting business has become very competitive the company has been transformed into a holding company and start to seek investment opportunities in other business lines..

Basis of Presentation - The accompanying audited consolidated financial statements of ColorStars Group and Color Stars Inc. (“the Company”) have been prepared in accordance with accounting principles generally accepted in the United States for annual financial information and with the instructions to the Annual Report on Form 10-K and Rule 10-01 of Regulation S-X. Accordingly, they include all of the information and footnotes required by accounting principles generally accepted in the United States for a complete presentation of the financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair statement of the financial position, results of operations and cash flows for the year ended December 31, 2016 and 2015 have been included. Operating results for the year ended December 31, 2016 are not necessarily indicative of the results to be expected for any subsequent interim period..

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Note 1 – Going Concern

The Company incurred a loss of approximately \$162,479 in 2016 and continued to experience certain decreases in working capital. As a result, the Company may lack operational fund to continue as a going concern. The Company is evaluating the disposal of certain assets and inventory, raising new capital for future operations, and seeking short-term loans from shareholders or banks. However, there can be no assurance that the Company will be successful in achieving its objectives. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern; however, the above conditions raise substantial doubt about the Company’s ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates these estimates on a regular basis and bases them on historical experience and on various assumptions that the Company believes are reasonable. Actual results could differ from the estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, cash on deposits and all short-term highly liquid investments purchased with remaining maturities of three months or less. The Company currently maintains substantially all of its day-to-day operating cash balances with major financial institutions.

Plant and Equipment – Equipment is recorded at cost. Provision for depreciation is computed using the straight-line method on all depreciable assets over the estimated useful lives of the related assets (five years for machinery equipment, three and half years for transportation equipment and three years for computer and office equipment and other equipment).The depreciable base of the assets = cost – estimated scrap value. Upon sale or retirement of assets, the cost and related accumulated depreciation or amortization is eliminated from the respective amounts and any resulting gains or losses are reflected in operations. Expenditures for repairs and maintenance costs are expensed as incurred.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable are recorded at net realizable value. The Company provides for the possibility of customers' inability to make required payments by recording an allowance for doubtful accounts. The Company writes-off an account when it is considered to be uncollectible. The Company evaluates the collectability of its accounts receivable on an on-going basis. The Company records an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company's historical experience. As of December 31, 2016 and 2015, the allowance for doubtful accounts was \$152,710 and \$228,134 respectively.

Inventory – Inventory is stated at the lower of cost or market (weighted average method). Any write-down of inventory to the lower of cost or market at the close of a fiscal period creates a new cost basis that subsequently would not be marked up based on changes in underlying facts and circumstances. Inventories on hand are evaluated on an on-going basis to determine if any items are obsolete or in excess of future needs. Items determined to be obsolete are reserved for. The Company provides for the possible inability to sell its inventories by providing an excess inventory reserve. As of December 31, 2016 and 2015, the allowance for obsolete inventory was \$741,787 and \$742,003 respectively.

Intangible Assets - Intangible assets with finite lives are amortized over their respective estimated useful lives. The amount of intangible assets to be amortized shall be the amount initially assigned to that asset less any residual value. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate long-lived described below.

Investments – If the Company determines an unrealized loss is other-than-temporary, the Company recognizes the loss in earnings.

At December 31, 2016 and 2015, the Company has investments stated at cost method, and further discussions at Note 7.

Impairment of long-lived assets - The Company reviews the recoverability of its long-lived assets, such as property and equipment and intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

Fair Value of Financial Instruments - The Company values financial assets and liabilities using fair value measurements. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of cash and cash equivalents, accounts receivable, other current assets, accounts payable, accrued liabilities, and other current liabilities in the Consolidated Financial Statements approximates fair value because of the short-term nature of the instruments.

The Company adopted the provisions of ASC 820, which require us to determine the fair value of financial assets and liabilities using a specified fair-value hierarchy. The objective of the fair-value measurement of our financial instruments is to reflect the hypothetical amounts at which we could sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Revenue Recognition - Revenue is recognized in connection with sales of products when all of the following conditions are met: (1) there exists persuasive evidence of an arrangement with the customer, typically consisting of a purchase order or contract; (2) products have been delivered and title and risk of loss has passed to the customer, which occurs when a product is shipped under customary terms; (3) the amount of revenue is fixed or determinable; and (4) collectability is reasonably assured.

Income taxes - The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowances are provided against deferred tax assets that are not likely to be realized.

Foreign Currency - The financial statements of the company's foreign operations are translated into U.S. dollars for financial reporting purposes. The assets and liabilities of foreign operations whose functional currencies are not in U.S. dollars are translated at the period-end exchange rates, and equity accounts at historical exchange rates, while revenues and expenses are translated at weighted-average exchange rates during the fiscal year. The cumulative translation effects are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity in the consolidated balance sheets.

Comprehensive income - Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The primary components of comprehensive income for the Company include net income and foreign currency translation adjustments arising from the consolidation of the Company's foreign subsidiaries.

Net income per common share - Net income per common share-basic is computed by dividing the net income attributable to the Company less any preferred dividends for the period by the basic weighted-average number of outstanding common shares. Diluted EPS is computed by dividing the net income less any preferred dividends, divided by the weighted average number of shares outstanding, plus diluted shares, which is the total of convertible preferred shares, options, warrants, and any other dilutive securities. The company does not have any preferred stocks, options, warrants, or any other form of dilutive securities.

The calculation of net income per common share attributable to the Company is presented in Note 5.

Shipping and Handling Costs - Shipping and handling costs incurred by the Company for the delivery of products to customers are included in selling, general and administrative expenses.

Advertising Costs - Advertising costs are expensed when incurred and are included in selling, general, and administrative expenses.

Research and development costs — Research and development costs are expensed as incurred.

Note 3 - Recently Issued Accounting Pronouncements

Income tax - In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU No. 2015-17 is a new accounting standard on the financial statement presentation of unrecognized tax benefits. The new standard provides that to simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. The new standard becomes effective for the Company on December 15, 2017 and it should be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this new standard did not have a material impact to the Company.

Revenue from Contracts with Customers - In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which creates a single, comprehensive revenue recognition model for all contracts with customers. Under this ASU and subsequently issued amendments, an entity should recognize revenue to reflect the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods and services. ASU 2014-9 may be adopted either retrospectively or on a modified retrospective basis. The standard is effective for interim and annual reporting periods beginning after December 15, 2017. The FASB permits early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impact of ASU 2014-9 on the Company’s condensed consolidated financial statements and related disclosures.

Lease - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which requires an entity to recognize a right-of-use asset and a lease liability on the balance sheet for all leases, including operating leases, with a term greater than twelve months. Expanded disclosures with additional qualitative and quantitative information will also be required. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The new standard must be adopted using a modified retrospective transition. The Company is currently evaluating the impact of ASU 2016-02 on its condensed consolidated financial statements and related disclosures. The company believes there will have a significant impact on the condensed consolidated balance sheets.

Note 4 – Concentration of Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of accounts receivable, cash and cash equivalents. The Company’s cash and cash equivalents are maintained with high quality institutions, the compositions and maturities of which are regularly monitored by management. Through December 31, 2016, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers primarily in the manufacturing industry. The Company performs ongoing credit evaluations of its customers’ financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company also maintains allowances for potential credit losses. In estimating the required allowances, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer risks. Through December 31, 2016, such losses have been within management’s expectations.

For the year ended December 31, 2016, products sold to largest customers accounted for approximately 61% of total revenue. Products purchased from two suppliers accounted for approximately 52% and 21% of the total purchases during the year ended December 31, 2016.

For the year ended December 31, 2015, products sold to largest customers accounted for approximately 62% of total revenue. Products purchased from largest suppliers accounted for approximately 24% of the total purchases during the year ended December 31, 2015

Note 5 - Earnings Per Share

Basic net loss per share is computed by dividing net loss for the period by the weighted average number of shares of common stock outstanding during the period.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	The year ended December 31,	
	<u>2016</u>	<u>2015</u>
Net loss attributable to common stockholders	\$ (162,479)	\$ (1,027,046)
Weighted average common stock outstanding – Basic and diluted	<u>67,448,890</u>	<u>67,448,890</u>
Earnings per share attributable to common stockholder Basic and diluted	\$ (0.00)	\$ (0.02)

Note 6 - Accumulated Other Comprehensive loss

The components of accumulated other comprehensive losses were as follows:

	<u>Foreign currency translation</u>
Balance, December 31, 2014	198,581
Foreign currency translation, net of taxes	<u>(27,044)</u>
Balance, December 31, 2015	\$ <u>171,537</u>
Balance, December 31, 2015	171,537
Foreign currency translation, net of taxes	<u>28,586</u>
Balance, December 31, 2016	\$ <u>200,123</u>

Note 7 - Long Term Investments

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cost-method investment – Anteya Technology Corp		
Carrying value of investment at the beginning	\$ -	\$ 137,767
Share of associate's loss	-	-
Exchange difference	-	(24,590)
Loss on disposal of investments	<u>-</u>	<u>(113,177)</u>
Carrying value at the end	<u>-</u>	<u>-</u>
Net value	\$ <u>-</u>	\$ <u>-</u>

The Company adopted the provisions of SFAS 157, which require us to determine the fair value of financial assets and liabilities using a specified fair-value hierarchy. The objective of the fair-value measurement of our financial instruments is to reflect the hypothetical amounts at which we could sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

Anteya Technology Corp (Anteya) is a private company incorporated in Taiwan. The equity interest held by the Company is 13.68% on December 31, 2015.

Anteya Technology issued an additional of 2,000,000 shares to 9,500,000 shares during 2015. The Company decided not to subscribe any of these newly issued shares. As a result, the equity interest decreased to 13.68% from 17.33% after the issuance of 2,000,000 new shares.

Anteya Technology was given cessation of operations from April 28, 2017. As a result, the investment was fully impaired as of December 31, 2015 and 2016.

Fin-Core (holding roughly 57,000 shares) had no actual operating behavior and the investment was fully impaired as of December 31, 2015 and 2016.

The unaudited financial information of Anteya Technology Corp. as of December 31, 2016 and 2015 and for the year ended December 31, 2016 and 2015 (in US dollars) are as follows:

	December 31, 2016	December 31, 2015
Balance sheet		
Current assets	\$ 3,488,347	\$ 3,849,571
Non-current assets	821,069	723,833
Total assets	4,309,446	4,573,404
Current liabilities	1,857,587	1,361,178
Non-current liabilities	1,447,764	1,590,979
Stockholders' equity	1,004,095	1,621,247
Total stockholders' equity and liabilities	\$ 4,309,446	4,573,404

	For the year ended December 31,	
	2016	2015
Statement of operation		
Net sale	\$ 2,132,310	\$ 3,098,333
Cost of goods sold	(1,930,092)	(2,082,083)
Gross profit	202,218	1,016,250
Operating and non-operating expenses	(896,643)	(974,315)
Net profit (loss)	\$ (694,425)	\$ 41,935

Note 8- Inventory

Inventories stated at the lower of cost or market value are as follows:

	December 31, 2016	December 31, 2015
Finished goods	\$ 741,787	\$ 742,003
Allowance for Inventory Valuation and Obsolescence Losses	(741,787)	(742,003)
Total	\$ -	\$ -

The Company decided to shift in operational focus and that it was determined the remaining inventory had little-to-no value, thus was fully impaired on December 31, 2015 and 2016.

Note 9 – Equipment

Equipment and the related accumulated depreciation consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Plant and equipment:		
Machinery equipment	\$ 159,501	\$ 156,778
Transportation equipment	20,946	20,588
Office equipment	66,872	65,730
Other	9,201	9,044
Total cost	<u>256,520</u>	<u>252,140</u>
Accumulated depreciation:		
Machinery equipment	136,013	121,476
Transportation equipment	11,055	7,435
Office equipment	60,535	59,292
Other	2,589	1,073
Total accumulated depreciation	<u>210,192</u>	<u>189,276</u>
Plant and equipment – net	<u>\$ 46,328</u>	<u>\$ 62,864</u>

Depreciation was \$25,108 and \$35,237 for the years ended December 31, 2016 and 2015 respectively.

Department to obtain cost accounted basis, to extend the number of years of durable fixed assets major improvements, updates and additional capital expenditures included as part of the fixed assets, recurrent expenditure will be used for repair and maintenance costs of treatment. Depreciation of fixed assets system cost method, and 3 to 5 years of age, in order to raise the average calculated columns.

Note 10 - Income Taxes

The Company is subject to U.S. federal income tax as well as income tax in states and foreign jurisdictions(Taiwan). For the major taxing jurisdictions, the tax years 2013 through 2015 remain open for state and federal examination. The Company believes assessments, if any, would be immaterial to its consolidated financial statements. With respect to the foreign jurisdiction, the Company is no longer subject to income tax audits for the year 2014 (inclusive).

The income tax provision information is provided as follows:

	For the year ended December 31,	
	2016	2015
Component of income (loss) before income taxes:		
United States	\$ (59,655)	\$ (265,015)
Foreign	(102,824)	(764,188)
Net loss	<u>\$ (162,479)</u>	<u>\$ (1,029,203)</u>
Provision for income taxes		
Current		
U.S. federal	-	-
State and local	-	-
Foreign	-	\$ 2,157
Income tax benefit	<u>\$ -</u>	<u>\$ 2,157</u>

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences, for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Federal income taxes at applicable statutory rates		
Adjustment resulting from the tax effect of:	\$ (105,157)	\$ (112,382)
State income tax	-	-
Foreign tax rate differential	43,343	10,094
Loss with no tax benefit provided	17,930	79,170
Non-deductible expenses and other	43,884	25,275
	<u>\$ -</u>	<u>\$ 2,157</u>

As of December 31, 2016, there was gross U.S. federal net operating loss carry forwards of approximately \$1,200,000, which may be available to offset future federal income tax liabilities. All of the gross federal net operating losses are limited by certain provisions of the U.S. tax code which restricts their utilization in the future.

The federal net operating losses expire at various dates through 2027 to 2035.

Note 11 - Bank Short Term Debt

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Bank loan payable to Taiwan banks	\$ 526,591	\$ 517,600

The Company signed revolving credit agreements with a lending institution. The interest rate on short-term borrowings outstanding as of December 31, 2015 is 1.94% per annum, as of December 31, 2016, interest rate is 1.94% per annum. The short term debt is secured by:

1. personal guarantee from directors
2. the realty property of spouse of directors

Note 12 - Long Term Loan

The Company signed sales with buyback agreement of 5 million New Taiwan Dollars (US\$154,750.85) with Chailease Finance Co., Ltd. in July 2016. The loan is amortized to 36 months and the monthly repayment amount is based on the remaining principal at the beginning of each 12 months. The interest rate is fixed at 6.37% per annum over the term of the agreement. For the first 12 months of the term the monthly repayment was \$196,000 NTD (US\$6,066.23) beginning in July 2016, and fixed for the next 12 months until June 2017. The monthly repayment was reduced to \$168,000 NTD (US\$5,199.63) beginning in July 2017, and fixed for the next 12 months until June 2018. However the company made an overall repayment of the remaining amounts due of \$2,283,954 NTD (US\$70,688.77) on Feb. 13, 2018 and terminated this loan agreement.

Note 13 - Geographic Information

Product revenues for the year ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Customers based in:		
Europe	\$ 107,580	\$ 379,738
Asia	24,379	49,350
United States	233,244	846,722
Others	4,650	4,069
	<u>\$ 369,853</u>	<u>\$ 1,279,879</u>

Note 14 - Related Party Transactions

The Company has recorded expenses for the following related party transactions for the year ended December 31, 2016 and 2015:

	For the year ended December 31,	
	2016	2015
Purchase from Anteya Technology Corp	\$ 80,091	\$ 116,163
Rent paid to Mr. Wei-Rur Chen	44,641	45,366

As of the balance sheet date indicated, the Company had the following receivable and liabilities recorded with respect to related party transactions:

	December 31, 2016	December 31, 2015
Anteya Technology Corp		
Due from affiliate (liabilities)	\$ (355)	\$ 712
Mr. Wei-Rur Chen		
Payable to Shareholder	\$ (74,379)	\$ (20,000)

The Company leases office space from Mr. Wei-Rur Chen which the term for the agreement is from November 2015 to November 2020.

The Company conducted business with a related party company Anteya Technology Corp. The Company owns 13.68% of the outstanding common stock of Anteya Technology Corp as of December 31, 2016. All transactions were at market-based prices.

Note 15 - Commitments

The company leases offices in Taiwan. The main office is relocated in New Taipei City with monthly rental of NTD\$120,000, and the term is from 11-7-2015 to 10-6-2020. The company rented a branch office located in Taipei City with a monthly rental of NTD\$160,000 on 11-11-2017, and the term is from 12-1-2017 to 11-30-2019. However this branch office is closed on April 10, 2018 and the lease is cancelled. The minimum future rental payments due under non-cancelable operating leases with remaining terms at December 31, 2016 are as follows:

Year	Main Office	Branch Office	Total Lease Commitment
2017	\$ 44,605	\$ 4,956	49,562
2018	\$ 44,605	\$ 16,294	60,900
2019	\$ 44,605	\$ 0	44,605
2020	\$ 34,096	\$ 0	34,096
	\$ 193,203	\$ 21,250	189,162

	For the year ended December 31, 2016	Twelve months ended December 31, 2015
Rent expenses	\$ 44,641	\$ 59,328

Note 16 - Subsequent Events

The Company evaluated all events subsequent to December 31, 2016 through the date of the issuance of the financial statements, there are no other significant or material transactions to be reported except as follows:

On October 5, 2017, the Company completed the sale of a total of 12,825,625 shares of Company common stock to 13 investors at a price per share of US \$0.0264 for a total of US \$337,961.13 in proceeds to the Company.

On November 13, 2017, the Company completed the sale of a total of 10,000,000 shares of Company common stock to 11 investors at a price per share of US \$0.033 for a total of US \$330,000 in proceeds to the Company.

On February 5, 2018, the Company completed the sale of a total of 12,000,000 shares of Company common stock to 23 investors at a price per share of US \$0.034188 for a total of US \$410,256.38 in proceeds to the Company.

On February 14, 2018, Ms. Chiu Mei-Ying resigned as a Director and the Secretary of the Company. Her resignations were not the result of any disagreements with the Company. Effective February 21, 2018, the remaining two directors on the Board of Directors of the Company appointed Mr. Wilson Chen to the Board of Directors to fill the vacancy created by the resignation of Ms. Chiu Mei-Ying

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

At this time, we do not have any changes in and disagreements with accountants and financial disclosure to report.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of that date.

(b) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive and chief financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with the U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only a management's report in its annual report.

(c) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The following persons are our executive officers and directors. Directors are elected to hold offices until the next annual meeting of shareholders and until their successors are elected or appointed and qualified. Officers are appointed by the board of directors until a successor is elected and qualified or until resignation, removal or death.

<u>NAME</u>	<u>AGE</u>	<u>OFFICES HELD</u>
Wei Rur Chen	55	Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President and Director
Hsiu-Fu Liu	61	Director
Mei-Ying Chiu	63	Secretary and Director

WEI RUR CHEN, age 55, has served as our Chief Executive Officer and President since 2003. Prior to joining us, Mr. Chen was Executive Vice President of Primo Lite Co., Ltd. from 2002 to 2003, Executive Vice President of Tinya Engineering Co., Ltd. from 2000 to 2002, Vice President of Hi-Doer Power Co., Ltd. from 1997 to 2000, Manager of Sales and Marketing of Westinghouse Elec. from 1991 to 1997 and Manufacturing Engineer of Westinghouse Elec. from 1984 to 1989. Mr. Chen earned a Master of Science, Industrial Engineering from Clemson University SC, USA in 1990 and resides in Taipei, Taiwan.

HSIU-FU LIU, age 61 has been serving on our board since December 2008. Mr. Liu currently serves as the chairman of Hsuhta Industrial Group, a company that owns and operates many precision plastic moulding and injection companies in Taiwan and China. Mr. Liu graduated from Hsinchu Technical high school in 1973.

MEI-YING (EASTER) CHIU, age 63, has served as our Secretary since 2004. Prior to joining us, Ms. Chiu was Vice President of Sales and Marketing for 5E Chemical Co., Ltd. from 2003 to 2004, Manager of Marketing for Tingya Engineering from 2001 to 2003, Project Manager for Stone & Webster Taiwan from 1999 to 2001 and Project Manager for Gibsin Engineering Co., Ltd. from 1980 to 1997. Ms. Chiu earned a Bachelor of Arts, Business Administration from Mingchuan University, Taiwan in 2001 and a Master's degree of Executive Management of Business and Administration from Hong Kong Chinese University.

The business address for each of our officers and directors is 10F, No. 566 JungJeng Rd., Sindian City, Taipei County 231, Taiwan, R.O.C.

Our bylaws authorize no less than one (1) and no more than seven (7) directors. We currently have three (3) Directors.

Family Relationships.

Mrs. Tsui-Ling Lee, an owner of 11.86% of our common stock, is the spouse of our Chairman of the Board and CEO, Mr. Wei-Rur Chen.

Involvement in Certain Legal Proceedings.

There have been no events under any bankruptcy act, criminal proceedings, judgments, injunctions, orders or decrees material to the evaluation of the ability and integrity of any director, executive officer, promoter or control person of our Company during the past five years.

Significant Employees.

None.

ITEM 11. EXECUTIVE COMPENSATION

Board of Directors

All of our directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Our executive officers are elected annually by the board of directors to hold office until the first meeting of the board following the next annual meeting of stockholders and until their successors are chosen and qualified.

Directors' Compensation

We reimburse our directors for expenses incurred in connection with attending board meetings but we do not pay our directors fees or other cash compensation for services rendered as a director

Our executive officers are currently earning compensation. Set forth below is the aggregate compensation for services rendered in all capacities to us during our fiscal years ended December 31, 2015 and 2016 by our executive officers. Except as indicated below, none of our executive officers were compensated in excess of \$100,000.

On March 1, 2007, we entered into an employment agreement with our CEO, Mr. Wei-Rur Chen (the "Original Employment Agreement"). The Original Employment Agreement was for a term of five years from the effective date, March 1, 2007. Under the Original Employment Agreement, Mr. Chen agreed to serve as our Chairman, President, and CEO. Mr. Chen was granted such authority and responsibility as may reasonably be assigned to him by our board of directors. Pursuant to the Original Employment Agreement, Mr. Chen was eligible to receive a salary no higher than \$120,000 per annum, and Mr. Chen was entitled to participate in any and all deferred compensation, 401(k) or other retirement plans, medical insurance, dental insurance, group health, disability insurance, pension and other benefit plans that are made generally available by us to our executives who have similar responsibilities and perform similar functions as Mr. Chen.

As the term of the Original Employment Agreement expired, on March 1, 2012, we entered into a new employment agreement (the "Employment Agreement") with Mr. Chen. The Employment Agreement has a term of five years from the effective date, March 1, 2012, subject to the termination provisions contained therein. Under the Employment Agreement, Mr. Chen shall have such authority and responsibility as may be assigned to him by the Company's board of directors. Furthermore, under the Employment Agreement, Mr. Chen is subject to certain non-competition, non-solicitation and confidentiality covenants, the terms and conditions of which are described in further detail therein. Pursuant to the Employment Agreement, Mr. Chen shall receive the following compensation in exchange for his services: (i) an annual base salary in the amount of NT \$715,000 (US \$20,500); and (i) no compensation was taken for bonus, vehicle allowance or stock options in 2016.

In addition, in the event of an Acquisition (as such term is defined in the Employment Agreement) before February 28, 2017, Mr. Chen shall be paid an additional bonus of One Hundred Thousand and No/100 Dollars (US \$100,000) and shall be awarded 50% below market valued stock options. The stock options shall have an exercise period of two (2) years from the date of the award.

Mr. Chen shall also be entitled to participate in any and all deferred compensation, 401(k) or other retirement plans, medical insurance, dental insurance, group health, disability insurance, pension and other benefit plans that are made generally available by the Company to such executives who have similar responsibilities and perform similar functions as Mr. Chen

We have no pension, health, annuity, bonus, insurance, stock options, profit sharing or similar benefit plans. No stock options or stock appreciation rights were granted to any of our directors or executive officers. We have no equity incentive plans.

SUMMARY COMPENSATION TABLE

<i>Name and Principal Position (a)</i>	<i>Year (b)</i>	<i>Salary (\$)(c)</i>	<i>Bonus (\$) (d)</i>	<i>Stock Awards (\$)(e)</i>	<i>Option Awards (\$) (f)</i>	<i>Non-Equity Incentive Plan Compensation (\$) (g)</i>	<i>Nonqualified Deferred Compensation Earnings (\$) (h)</i>	<i>All Other Compensation (\$) (i)</i>	<i>Total (\$) (j)</i>
<i>Wei-Rur Chen— CEO,</i>	2016	\$ 18,586	—	—	—	—	—	—	\$ 18,586
<i>President and</i>	2015	\$ 23,000	—	—	—	—	—	—	\$ 23,000
<i>CFO</i>	2014	\$ 23,000	—	—	—	—	—	—	\$ 23,000
<i>Mei-Ying (Easter)</i>	2016	\$ 24,161	—	—	—	—	—	—	\$ 24,161
<i>Chiu—Secretary</i>	2015	\$ 35,645	—	—	—	—	—	—	\$ 35,645
<i>and Director</i>	2014	\$ 35,645	—	—	—	—	—	—	\$ 35,645

Options/SAR Grants In the Last Fiscal Year

None.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year End Option/SAR Values

None.

Compensation Committee

At this time, we do not have a compensation committee. The salaries of our executive officers are determined by our board of directors. Our board of directors determines the compensation of our executive officers based on our financial and operating performance and success. As we continue to grow, we may form a compensation committee charged with the oversight of our executive compensation plans, policies and programs, and the authority to determine and approve the compensation of our executive officers and make recommendations with respect to the same.

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

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of December 31, 2016 by:

- all persons who are beneficial owners of five percent (5%) or more of our common stock;
- each of our directors;
- each of our executive officers; and
- all current directors and executive officers as a group.

Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them.

Applicable percentage ownership in the following table is based on 67,448,890 shares of common stock outstanding as of December 31, 2016.

Title of Class	Name and Address of Owner	Title	Amount of Beneficial Ownership	Percentage of Common Stock Owned
Common Stock	Wei-Rur Chen 7, Mayhua 1 st Road Sindian District, New Taipei City 231, Taiwan, R.O.C.	President, Chief Executive Officer, Chief Financial Officer, and Chairman of the Board	10,800,000	16.01
Common Stock	Hsui-Fu Liu No. 232, Zhongzheng Rd., Shulin City, Taipei County 238, Taiwan, R.O.C.	Director	4,000,000	5.93
Common Stock	Mei-Ying Chiu 9F, No. 568, Jung Jeng Rd. Sindian District, New Taipei City 231, Taiwan, R.O.C.	Secretary and Director	2,500,000	3.71
Common Stock	Tsui-Ling Lee 7, Mayhua 1 st Road Sindian District, New Taipei City 231, Taiwan, R.O.C.	Shareholder	8,000,000	11.86
Common Stock	Reuya International LTD 10F, No. 566 Jung Jeng Rd. Sindian District, New Taipei City 231, Taiwan, R.O.C.	Shareholder	11,620,000	17.23
Common Stock	All executive officers and directors as a group	Executive officers and directors as a group	17,300,000	25.65

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

The Company leases office space from Mr. Wei-Rur Chen. Mr. Wei-Rur Chen is the President, Chief Executive Officer, Chief Financial Officer, and Chairman of the Board of the Company, as well as beneficial owner of more than five percent (5%) of the Company's common stock. The current term for the lease agreement is from November 2015 to November 2020. During 2015, the Company paid USD \$43,844 in rent pursuant to this lease agreement. Mr. Wei-Rur Chen owns one hundred percent (100%) interest in the lease agreement.

The Company also conducted business with a related party company Anteya Technology Corp. The Company owns 13.68% of the outstanding common stock of Anteya Technology Corp as of December 31, 2015. All transactions were at market-based prices. For the year ended December 31, 2015, the Company has purchased from Anteya for a total of USD\$116,163 and has sold to Anteya for a total of USD\$0 of goods and services.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to us by Fruci & Associates II, PLLC, the Company's independent registered public accountant, for fiscal years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Audit Fees (1)	\$ 0	\$ 25,000
Audit Related Fees (2)	0	4,995.71
Tax Fees (3)	<u>0</u>	<u>0</u>
All Other Fees (4)	0	0
Total Fees paid to auditor	<u>\$ 0</u>	<u>\$ 29,995.71</u>

(1) Audit fees consist of fees billed for professional services rendered for the audit of the Company's annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services in connection with statutory and regulatory filings or engagements.

(2) Audit-Related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees".

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state and international tax compliance, acquisitions and international tax planning.

(4) There were no fees that were classified as All Other Fees as of the fiscal years ended December 31, 2016 and 2015.

As the Company does not have a formal audit committee, the services described above were not approved by the audit committee under the de minimus exception provided by Rule 2-01(c)(7)(i)(C) under Regulation S-X. Further, as the Company does not have a formal audit committee, the Company does not have audit committee pre-approval policies and procedures.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) 1. The information required by this item is included in Item 8 of Part II of this annual report.
2. The information required by this item is included in Item 8 of Part II of this annual report.
3. Exhibits: See Index to Exhibits, which is incorporated by reference in this Item. The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this annual report.
- (b) Exhibits. See Index to Exhibits, which is incorporated by reference in this Item. The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this annual report.
- (c) Not applicable.

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Description</u>
31.1	Certification of our Chief Executive Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of our Chief Financial Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of our 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 our Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
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

SIGNATURES

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

ColorStars Group

Dated: September 5, 2018

By: /s/ Wei-Rur Chen

Wei-Rur Chen

President and Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors

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

<u>Signatures</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Wei-Rur Chen</u> Wei-Rur Chen	President and Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial officer and principal accounting officer), Chairman of the Board of Directors	September 5, 2018
<u>/s/ Hsiu-Fu Liu</u> Hsiu-Fu Liu	Director	September 5, 2018
<u>/s/ Wilson Chen</u> Wilson Chen	Secretary and Director	September 5, 2018

CERTIFICATION

I, Wei-Rur Chen, certify that:

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

Date: September 5, 2018

/s/ Wei-Rur Chen

Wei-Rur Chen, President and CEO

CERTIFICATION

I, Wei-Rur Chen, certify that:

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

Date: September 5, 2018

/s/ Wei-Rur Chen

Wei-Rur Chen, CFO

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 10-K of ColorStars Group (the "Company") for the quarterly period ended December 31, 2016 (the "Report"), I, Wei-Rur Chen, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Wei-Rur Chen

Wei-Rur Chen
Chief Executive Officer

September 5, 2018

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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 Form 10-K of ColorStars Group (the "Company") for the quarterly period ended December 31, 2016 (the "Report"), I, Wei-Rur Chen, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Wei-Rur Chen

Wei-Rur Chen
Chief Financial Officer

September 5, 2018

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.
