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# U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number: 000-54107*

### **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 City, New Taipei City 231, Taiwan, R.O.C.

(Address of principal executive offices)

(949) 336-6161

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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," "non-accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Check whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of September 25, 2018, there were 102,274,515 shares of common stock, par value \$0.001, issued and outstanding.

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**COLORSTARS GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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**COLORSTARS GROUP**  
**CONSOLIDATED BALANCE SHEETS**  
June 30, 2017(Unaudited) and December 31, 2016(Audited)  
(in USD)

<u>Assets</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>Current assets:</b>		
Cash and equivalents	\$ 11,938	\$ 32,433
Accounts receivable, net of allowance for doubtful accounts of \$152,529 at June 30, 2017 and \$152,710 at December 31, 2016	1,762	-
Prepaid expenses and other current assets	50,208	53,699
<b>Total current assets</b>	<b>63,908</b>	<b>86,132</b>
Equipment, net of accumulated depreciation	45,300	46,328
Other assets	9,280	8,735
<b>Total assets</b>	<b>\$ 118,488</b>	<b>\$ 141,195</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Short term loan	\$ 546,279	\$ 526,591
Accounts payable	15,491	44,968
Advance from shareholder	288,634	74,379
Accrued expenses	8,970	12,516
Other current liabilities	15,304	19,165
Current portion of long term loan	66,343	67,651
<b>Total current liabilities</b>	<b>941,021</b>	<b>745,270</b>
Long term loan	52,259	80,414
<b>Total liabilities</b>	<b>\$ 993,280</b>	<b>825,684</b>
Commitments and contingencies	0	0
<b>Stockholders' equity</b>		
Common Stock –Par Value \$0.001 67,448,890 shares issued and outstanding, 450,000,000 shares are authorized at June 30, 2017 and December 31, 2016	67,449	67,449
Additional paid in capital	3,112,230	3,112,230
Accumulated other comprehensive income	157,318	200,123
Accumulated deficit	(4,211,789)	(4,064,291)
<b>Total stockholders' equity</b>	<b>(874,792)</b>	<b>(684,489)</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 118,488</b>	<b>\$ 141,195</b>

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

**COLORSTARS GROUP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED)**  
(in USD)

	Three months ended June 30,	
	2017	2016
Net sales	\$ 1,992	\$ 82,785
Cost of goods sold	1,526	58,385
Gross profit	466	24,400
Operating expenses		
Selling, general and administrative	84,220	73,060
Bad debt Selling	-	-
Rent	11,912	11,138
Depreciation & Amortization	1,802	7,330
Research and development	-	-
Total operating expenses	97,934	91,528
Loss from operations	(97,468)	(67,128)
Other expenses		
Interest expense (net)	(5,450)	(2,283)
Loss on foreign exchange, net	-	(2,192)
Bad debt recovery	6,085	-
Gain on reversal of impairment loss	1,361	-
Loss before income tax	(95,472)	(71,603)
Income tax provision	(3,335)	-
Net loss	(98,807)	(71,603)
Other comprehensive loss:		
Foreign currency translation gain	1,715	2,274
Comprehensive loss	\$ (97,092)	\$ (69,329)
Earnings per share attributable to common stockholders:		
Basic and diluted per share	\$ 0.00	\$ 0.00
Weighted average shares outstanding:		
Basic and diluted	67,448,890	67,448,890

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

**COLORSTARS GROUP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED)**  
(in USD)

	Six months ended June 30,	
	2017	2016
Net sales	\$ 18,597	\$ 205,322
Cost of goods sold	14,301	140,754
Gross profit	4,296	64,568
Operating expenses		
Selling, general and administrative	119,938	146,125
Bad debt Selling	-	-
Rent	23,364	21,977
Depreciation & Amortization	3,864	15,826
Research and development	-	-
Total operating expenses	147,166	183,928
Loss from operations	(142,870)	(119,360)
Other income (expenses)		
Interest expense (net)	(10,533)	(4,554)
Loss on foreign exchange	-	(13,384)
Bad debt recovery	9,573	64,156
Impairment loss	(333)	-
Other, net	-	-
Loss before income tax	(144,163)	(73,142)
Income tax provision	(3,335)	-
Net loss	(147,498)	(73,142)
Other comprehensive loss:		
Foreign currency translation gain	(42,805)	11,149
Comprehensive loss	\$ (190,303)	\$ (61,993)
Earnings per share attributable to common stockholders:		
Basic and diluted per share	\$ 0.00	\$ 0.00
Weighted average shares outstanding:		
Basic and diluted	67,448,890	67,448,890

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

**COLORSTARS GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(UNAUDITED)

	For six months ended June 30,	
	2017	2016
<b>Cash flows from operating activities</b>		
Net (loss)	\$ (147,498)	\$ (73,142)
Depreciation	3,864	15,826
Gain on reversal of bad debts	(9,573)	(64,156)
Impairment loss	333	-
Changes in operating assets and liabilities:		
Accounts receivable	7,811	82,772
Inventories	-	-
Prepaid expenses and other current assets	2,946	(24,351)
Accounts payable	(29,476)	(92,632)
Accrued expenses	(3,546)	(639)
Receipts in advance and other current liabilities	(3,862)	(4,661)
Cash flows provided by (used for) operating activities	<u>(179,001)</u>	<u>(160,983)</u>
<b>Cash flows from financing activities</b>		
Advance from shareholder	214,256	50,000
Increase in long-term loans	-	184,325
Decrease in long-term loans	<u>(42,627)</u>	<u>-</u>
Cash flows provided by financing activities	<u>171,629</u>	<u>234,325</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(13,123)</u>	<u>18,793</u>
Net increase in cash and cash equivalents	(20,495)	92,135
Beginning cash and cash equivalents	<u>32,433</u>	<u>24,129</u>
Ending cash and cash equivalents	<u>\$ 11,938</u>	<u>\$ 116,264</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Interest	\$ 10,537	\$ 5,921
Tax paid	\$ 800	\$ (3)

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

**COLORSTARS GROUP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**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.

The company will be transformed into a holding company due to environmental changes at 2018. Invest in various potential companies.

**Basis of Presentation** - The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not 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 three and six months ended June 30, 2017 and 2016 have been included. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for any subsequent interim period or for the year ending December 31, 2017.

The balance sheet at December 31, 2016 included herein was derived from the consolidated financial statements included in the Company’s Annual Report on Form 10-K as of that date. Accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission (“SEC”) on September 6, 2018.

Certain previously reported amounts have been reclassified to conform to current-period presentation, although no net effect on the previously-reported financial information

**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 2 - Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has negative working capital of \$877,113 and an accumulated deficit of \$4,211,789 as of June 30, 2017, and it reported net losses for past two years. These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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

**COLORSTARS GROUP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**Note 3 - Concentration of Risk**

For the six months ended June 30, 2017, products sold to largest customers accounted for approximately 29% of total revenue. Products purchased from two suppliers accounted for approximately 66% and 27% of the total purchases during the six months ended June 30, 2017.

For the six months ended June 30, 2016, products sold to largest customers accounted for approximately 59% of total revenue. Products purchased from three suppliers accounted for approximately 56%, 18% and 17% of the total purchases during the six months ended June 30, 2016.

**Note 4 - Long Term Investments**

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). ASC 820 describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 value is based on observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 value is based on inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 values are driven by models with one or more significant inputs or significant value drivers that are unobservable.

Anteya Technology Corp (Anteya) is a private company incorporated in Taiwan. The equity interest held by the Company is 13.68% on June 30, 2017.

Anteya Technology ceased operations in April 2017 and, as a result, no future economic benefit was considered realizable by the Company and, as a result, the investment was fully impaired in the year ended December 31, 2015 resulting in a loss of \$113,177.

**COLORSTARS GROUP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 5- Inventory**

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

	June 30, 2017	December 31, 2016
Finished goods	\$ 788,400	\$ 741,787
Allowance for Inventory Valuation and Obsolescence Losses	(788,400)	(741,787)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

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

**Note 6 - 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 2014 through 2016 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 years prior to 2015 (inclusive).

The income tax provision information is provided as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Component of income (loss) before income taxes:				
United States	\$ (19,425)	\$ (32,838)	\$ (21,425)	\$ (46,887)
Foreign	(76,047)	(38,765)	(122,738)	(26,255)
<b>Net loss</b>	<b>\$ (95,472)</b>	<b>\$ (71,603)</b>	<b>\$ (144,163)</b>	<b>\$ (73,142)</b>
Provision for income taxes				
Current				
U.S. federal	-	-	-	-
State and local	(800)	-	(800)	-
Foreign	(2,535)	-	(2,535)	-
<b>Income tax benefit(loss)</b>	<b>\$ (3,335)</b>	<b>\$ -</b>	<b>\$ (3,335)</b>	<b>\$ -</b>

The income tax section listed above are taxes charged by the US federal, State and Local, and Foreign thorities for income taxes and taxes associated with doing business in the region.

**Note 7 - Bank Short Term Debt**

	June 30, 2017	December 31, 2016
Short term loan	\$ 546,279	\$ 526,591

The Company signed revolving credit agreements with a lending institution. The interest rate on short-term borrowings outstanding as of June 30, 2017 is 1.91% 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

**COLORSTARS GROUP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 8 - Long Term Loan**

The Company signed sales with buyback agreement of 5 million New Taiwan Dollars (US\$164,542) 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\$6,450) beginning in July 2016, and fixed for the next 12 months until June 2017. The monthly repayment was reduced to \$168,000 NTD (US\$5,529) 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\$75,161) on Feb. 13, 2018 and terminated this loan agreement.

**Note 9 - Geographic Information**

Product revenues for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Customers based in:				
Europe	\$ 1,627	\$ 28,998	\$ 10,885	\$ 69,864
Asia	-	5,980	2,249	7,847
United States	365	44,731	5,463	123,835
Others	-	3,076	-	3,776
	<u>\$ 1,992</u>	<u>\$ 82,785</u>	<u>\$ 18,597</u>	<u>\$ 205,322</u>

**Note 10 - Related Party Transactions**

The Company has recorded expenses for the following related party transactions for six months ended June 30, 2017 and 2016:

	Six months ended June 30,	
	2017	2016
Purchase from Anteya Technology Corp	\$ 8,248	\$ 68,706
Rent paid to Mr. Wei-Rur Chen	\$ 23,363	\$ 21,976

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

	June 30, 2017	December 31, 2016
Anteya Technology Corp		
Due (to) from affiliate	\$ 13,443	\$ (355)
Mr. Wei-Rur Chen		
Payable to Shareholder	\$ (288,634)	\$ (74,379)

The Company leases office space from Mr. Wei-Rur Chen which the term for the agreement is from November 2015 to November 2020 with amount rent of \$45,000. Rent payments were \$23,364 and \$21,977 for the six months ended June 30, 2017 and 2016 respectively.

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 June 30, 2017. All transactions were at market-based prices.

**COLORSTARS GROUP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 10 - Related Party Transactions(continued)**

Mr. Wei-Rur Chen made various advances to the Company. The balance of advance was \$288,634 as of June 30, 2017. The advance are non-interest bearing and due on demand.

**Note 11 - 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 March 31, 2017 are as follows:

	For the year ended December 31,	
2017	\$	28,959
2018		64,939
	\$	93,898

	Six months ended June 30,	
	2017	2016
Rent expenses	\$ 23,364	\$ 21,977

**Note 12 - Subsequent Events**

The Company evaluated all events subsequent to June 30, 2017 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.

On September 17, 2018, the U.S Securities and Exchange Commission (“Commission”) announced the temporary suspension of trading in the securities of the Company, commencing at 9:30 a.m. EDT on September 18, 2018 and terminating at 11:59 p.m. EDT on October 1, 2018. The Commission temporarily suspended trading in the securities of the Company due to a lack of current and accurate information about the Company because it has not filed certain periodic reports with the Commission. This order was entered pursuant to Section 12(k) of the Securities Exchange Act of 1934 (“Exchange Act”) and was accompanied by an Order Instituting Administrative Proceedings and Note of Hearing pursuant to Section 12(j) of the Exchange Act. The stated purpose of the order and hearing is for the Commission to determine whether it is necessary and appropriate to continue the suspension in the trading of the securities of the Company for a period not exceeding twelve months, or to revoke the registration of the Company’s securities pursuant to Section 12 of the Exchange Act.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

### Forward Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes”, “project”, “expects”, “anticipates”, “estimates”, “intends”, “strategy”, “plan”, “may”, “will”, “would”, “will be”, “will continue”, “will likely result”, and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

### Overview

#### (a) Business Overview.

ColorStars Group (“we”, “us”, “our”, the “Company”) was initially incorporated in the Province of Ontario, Canada on January 21, 2005. On November 3, 2005, we converted to a Nevada corporation. We are a vertically integrated lighting company that develops light emitting diodes (“LED”) based lighting products for general consumer applications as well as LED lighting products for professional lighting installations. Our LED lighting application development activity ranges from LED packaging to optical lens and heat management, from retrofit LED lamps and bulbs to lighting fixtures designed for general and special lighting applications. The Company intends to change its business model into a holding company due to environmental changes in 2018 adversely affecting the LED lighting market. The Company’s business model commencing in 2018 is to acquire various operating companies. There is no assurance that the Company will be able to acquire any operating companies.

#### (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). The Company did not subscribe additional shares in Anteya when Anteya increased its outstanding shares from 6,500,000 shares to 9,500,000 shares. As a result, the Company’s equity position in Anteya decreased from 20% to 13.68% as of June 30, 2016.

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) Material Transactions During the Reporting Period.

None.

## Results of Operations

### *Comparison of Three Months Ended June 30, 2017 to Three Months Ended June 30, 2016*

*Net Sales.* Net sales decreased to \$1,992 for the three months ended June 30, 2017, from \$82,785 for the three months ended June 30, 2016. The decrease in sales was due to global competition and lack of new products launching this period.

*Cost of Goods Sold.* Cost of goods sold decreased to \$1,526 for the three months ended June 30, 2017 from \$58,385 for the three months ended June 30, 2016. The decrease in cost of goods sold was primarily due to the decrease in overall sales.

*Gross Profit.* Gross profit decreased to \$466 for the three months ended June 30, 2017 from \$24,400 for the three months ended June 30, 2016. The decrease in gross profit was primarily due to the decrease in overall sales.

*Gross Profit Percentage.* Gross profit percentage decreased to 23.39% for the three months ended June 30, 2017 from 29.47% for the three months ended June 30, 2016. The decrease in gross profit percentage was primarily due to lower margin as products sold were old fashioned.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased to \$84,220 for the three months ended June 30, 2017 from \$73,060 for the three months ended June 30, 2016. The increase in selling, general and administrative expenses is primarily related to lay-off compensation paid to employees during the period.

*Research and Development Expenses .* Research and development (R&D) expenses were \$0 for the three months ended June 30, 2017 as compared to \$0 for the three months ended June 30, 2016. The lack of research and development expenditure was due to overall lack of profitability.

*Depreciation and Amortization.* Depreciation and amortization decreased to \$1,802 for the three months ended June 30, 2017 from \$7,330 for the three months ended June 30, 2016. The decrease in depreciation and amortization was mainly due to the decrease of asset value over time.

*Interest Expense .* Interest expense increased to (\$5,450) for the three months ended June 30, 2017 from (\$2,283) for the three months ended June 30, 2016. The increase in interest expense was due to increase in long term loan.

*Net Income (loss) .* For the three months ended June 30, 2017, we incurred a net loss of \$(98,807) as compared to a net loss of \$(71,603) for the three months ended June 30, 2016. The increase in net loss was primarily a result of decrease of total sales and gross profit from sales.

### *Comparison of Six Months Ended June 30, 2017 to Six Months Ended June 30, 2016*

*Net Sales.* Net sales decreased to \$18,597 for the six months ended June 30, 2017, from \$205,322 for the six months ended June 30, 2016. The decrease in sales was due to global competition and lack of new products launching this period.

*Cost of Goods Sold.* Cost of goods sold decreased to \$14,301 for the six months ended June 30, 2017 from \$140,754 for the six months ended June 30, 2017. The decrease in cost of goods sold was primarily due to the decrease in overall sales.

*Gross Profit.* Gross profit decreased to \$4,296 for the six months ended June 30, 2017 from \$64,568 for the six months ended June 30, 2016. The decrease in gross profit was primarily due to the decrease in overall sales.

*Gross Profit Percentage.* Gross profit percentage decreased to 23.1% for the six months ended June 30, 2017 from 31.45% for the six months ended June 30, 2016. The decrease in gross profit percentage was primarily due to lower margin from the sales of old fashioned products.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased to 119,938 or the six months ended June 30, 2017 from \$146,125 for the six months ended June 30, 2016. The decrease in selling, general and administrative expenses is primarily due to decrease in staff head count.

*Research and Development Expenses* . Research and development (R&D) expenses were \$0 for the six months ended June 30, 2017 as compared to \$0 for the six months ended June 30, 2016. The lack of research and development expenditure was due to overall lack of profitability.

*Depreciation and Amortization*. Depreciation and amortization decreased to \$3,864 for the six months ended June 30, 2017 from \$15,826 for the six months ended June 30, 2016. The decrease in depreciation and amortization was mainly due to some assets were of end of life value for the period.

*Interest Expense* . Interest expense increased to (\$10,533) for the six months ended June 30, 2017 from (\$4,554) for the six months ended June 30, 2016. The increase in interest expense was due to increase in long-term loan.

*Net Income (loss)* . For the six months ended June 30, 2017, we incurred a net loss of \$(147,498) as compared to a net loss of \$(73,142) for the six months ended June 30, 2016. The increase in net loss is mainly due to decrease in net sales and gross profit.

### **Financial Condition, Liquidity and Capital Resources**

Our historical revenues are primarily derived from the sale of LED devices and systems. Although our historical 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. As the 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.

*Net cash provided by (used in) operating activities*. During the six months ended June 30, 2017, net cash used in operating activities was (\$179,001) compared with \$(160,983) used in operating activities for the six months ended June 30, 2016. The cash flow used in operating activities in the six months ended June 30, 2017 was primarily the result of net loss in operations. The cash flow used in operating activities in the six months ended June 30, 2016 was primarily the result of the Company's increase in accounts payable payments and operating net loss.

*Net cash provided by (used in) financing activities*. During the six months ended June 30, 2017, net cash provided by financing activities was \$171,629 compared with \$234,325 provided by investing activities for the six months ended June 30, 2016.

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 April 24, 2017. 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 are described in further detail in the chart below:

<b>Lender</b>	<b>Borrower</b>	<b>Loan Amount</b>	<b>Term</b>	<b>Interest Rate</b>
Bank SinoPac of Taiwan	ColorStars, Inc.	Sixteen Million and Six Hundred Thousand New Taiwan Dollars (NTD \$16,600,000)(1)	April 24, 2017 to July 24, 2017	Fixed at 1.91% per annum

(1) NTD \$16,600,000 is approximately USD \$546,279.

### **Recent Developments**

There are no recent developments to report.

## **Inflation**

At this time, we do not believe that inflation and changes in price will have a material effect on operations.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

## **Related Party Transactions**

The Company leases office space from Mr. Wei-Rur Chen. The Company leases office space from Mr. Wei-Rur Chen which the term for the agreement is from November 2015 to November 2020 with amount rent of \$45,000. Rent payments were \$23,363 and \$21,976 for the six months ended June 30, 2017 and 2016, respectively. Mr. Wei-Rur Chen owns one hundred percent (100%) interest in the lease agreement. 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 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 June 30, 2017. All transactions were at market-based prices.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

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

## **Item 4. Controls and Procedures.**

### *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 not effective as of that date.

### *Changes in internal control over financial reporting.*

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

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

There are no legal proceedings that have occurred within the past five years 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 finding of securities or commodities law violations.

**Item 1A. Risk Factors.**

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

**Item 2 . Unregistered Sales of Equity Securities and Use of Proceeds .****(a) Unregistered Sales of Equity Securities.**

None.

**(b) Use of Proceeds .**

Not applicable.

**(c) Purchases by the Issuer and Affiliated Purchasers of Equity Securities .**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

## INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Description</u>
31.1	<a href="#">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</a>
31.2	<a href="#">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</a>
32.1	<a href="#">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</a>
32.2	<a href="#">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</a>
**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
*	Included in previously filed reporting documents.
**	Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: September 27, 2018

By: */s/ Wei-Rur Chen*

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Wei-Rur Chen  
President, Chief Executive Officer (Principal  
Executive Officer), Chief Financial Officer  
(Principal Financial Officer),  
Chairman of the Board of Directors



## CERTIFICATION

I, Wei-Rur Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 27, 2018

*/s/ Wei-Rur Chen*

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Wei-Rur Chen, President and CEO

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## CERTIFICATION

I, Wei-Rur Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 27, 2018

*/s/ Wei-Rur Chen*

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Wei-Rur Chen, CFO

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**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-Q of ColorStars Group (the "Company") for the quarterly period ended June 30, 2017 (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 27, 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.

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**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-Q of ColorStars Group (the "Company") for the quarterly period ended June 30, 2017 (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 27, 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.

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