
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, 2018

**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 December 10, 2018, there were 102,274,515 shares of common stock, par value \$0.001, issued and outstanding.

**COLORSTARS GROUP
FORM 10-Q
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COLORSTARS GROUP
CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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COLORSTARS GROUP
CONSOLIDATED BALANCE SHEETS
June 30, 2018(Unaudited) and December 31, 2017(Audited)
(in USD)

	June 30, 2018	December 31, 2017
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 195,918	\$ 359,403
Accounts receivable, net of allowance for doubtful accounts of \$148,839 at June 30, 2018 and \$152,883 at December 31, 2017	-	-
Prepaid expenses and other current assets	2,949	18,056
Total current assets	198,867	377,459
Equipment, net of accumulated depreciation	34,217	36,057
Other assets	9,257	20,299
Total assets	\$ 242,341	\$ 433,815
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Short term loan	\$ -	\$ -
Accounts payable	16,132	15,524
Advance from shareholder	265,844	441,603
Accrued expenses	4,956	3,708
Other current liabilities	168	199,967
Current portion of long term loan	-	87,538
Total current liabilities	287,100	748,340
Long term loan	-	-
Total liabilities	\$ 287,100	\$ 748,340
Commitments and contingencies	-	-
Stockholders' equity		
Common Stock –Par Value \$0.001 102,274,515 and 90,274,515 shares issued and outstanding, 450,000,000 shares are authorized at June 30, 2018 and December 31, 2017	102,275	90,275
Additional paid in capital	4,157,518	3,759,260
Accumulated other comprehensive income	147,200	139,825
Accumulated deficit	(4,451,752)	(4,303,885)
Total stockholders' equity	(44,759)	(314,525)
Total liabilities and stockholders' equity	\$ 242,341	\$ 433,815

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,	
	2018	2017
Net sales	\$ -	\$ 1,992
Cost of goods sold	-	1,526
Gross profit	-	466
Operating expenses		
Selling, general and administrative	77,717	84,220
Rent	1,548	11,912
Depreciation & Amortization	448	1,802
Total operating expenses	<u>79,713</u>	<u>97,934</u>
Loss from operations	(79,713)	(97,468)
Other income/(expense)		
Interest expense (net)	25	(5,450)
Loss on foreign exchange, net	(5)	-
Bad debt recovery	-	6,085
Gain on reversal of impairment loss	<u>-</u>	<u>1,361</u>
Loss before income tax	(79,693)	(95,472)
Income tax provision	<u>(800)</u>	<u>(3,335)</u>
Net loss	(80,493)	(98,807)
Other comprehensive loss:		
Foreign currency translation gain	<u>9,519</u>	<u>1,715</u>
Comprehensive loss	<u>\$ (70,974)</u>	<u>\$ (97,092)</u>
Earnings per share attributable to common stockholders:		
Basic and diluted per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average shares outstanding:		
Basic and diluted	<u>102,274,515</u>	<u>67,448,890</u>

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,	
	2018	2017
Net sales	\$ 1,182	\$ 18,597
Cost of goods sold	595	14,301
Gross profit	587	4,296
Operating expenses		
Selling, general and administrative	114,365	119,938
Rent	17,077	23,364
Depreciation & Amortization	918	3,864
Total operating expenses	132,360	147,166
Loss from operations	(131,773)	(142,870)
Other income/(expenses)		
Interest expense (net)	(11,308)	(10,533)
Loss on foreign exchange	(3,986)	-
Bad debt recovery	-	9,573
Impairment loss	-	(333)
Loss before income tax	(147,067)	(144,163)
Income tax provision	(800)	(3,335)
Net loss	(147,867)	(147,498)
Other comprehensive loss:		
Foreign currency translation gain(loss)	7,375	(42,805)
Comprehensive loss	\$ (140,492)	\$ (190,303)
Earnings per share attributable to common stockholders:		
Basic and diluted per share	\$ 0.00	\$ 0.00
Weighted average shares outstanding:		
Basic and diluted	100,274,515	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,	
	2018	2017
Cash flows from operating activities		
Net (loss)	\$ (147,867)	\$ (147,498)
Depreciation	918	3,864
Gain on reversal of bad debts	-	(9,573)
Impairment loss	-	333
Changes in operating assets and liabilities:		
Accounts receivable	-	7,811
Prepaid expenses and other current assets	26,149	2,946
Accounts payable	608	(29,476)
Accrued expenses	1,248	(3,546)
Receipts in advance and other current liabilities	(199,799)	(3,862)
Cash flows provided by (used for) operating activities	(318,743)	(179,001)
Cash flows from financing activities		
Advance from shareholder	91,919	214,256
Repay advance from shareholder	(267,678)	-
Increase (decrease) in long-term loans	(87,538)	(42,627)
Increase (decrease) in capital	410,258	-
Cash flows provided by financing activities	146,961	171,629
Effect of exchange rate changes on cash and cash equivalents	8,297	(13,123)
Net decrease in cash and cash equivalents	(163,485)	(20,495)
Beginning cash and cash equivalents	359,403	32,433
Ending cash and cash equivalents	<u>\$ 195,918</u>	<u>\$ 11,938</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ -	\$ 10,537
Tax paid	\$ 800	\$ 800

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

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

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. The company is seeking Investment opportunities in various business lines, including solar power projects, waste tire to oil systems, and LNG trading projects.

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, 2018 and 2017 have been included. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for any subsequent interim period or for the year ending December 31, 2018.

The balance sheet at December 31, 2017 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, 2017, as filed with the Securities and Exchange Commission (“SEC”) on November 5, 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 \$88,233 and an accumulated deficit of \$4,451,752 as of June 30, 2018, 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)

Note 3 - Concentration of Risk

For the six months ended June 30, 2018, products sold to largest customers accounted for approximately 100% of total revenue. Products purchased from largest suppliers accounted for approximately 100% of the total purchases during the six months ended June 30, 2018.

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.

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, 2018.

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, 2018	December 31, 2017
Finished goods	\$ 779,077	\$ 800,246
Allowance for Inventory Valuation and Obsolescence Losses	(779,077)	(800,246)
Total	\$ -	\$ -

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 2016 through 2018 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 2017 (inclusive).

The income tax provision information is provided as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Component of income (loss) before income taxes:				
United States	\$ (41,956)	\$ (19,425)	\$ (57,601)	\$ (21,425)
Foreign	(37,737)	(76,047)	(89,466)	(122,738)
Net loss before taxes	\$ (79,693)	\$ (95,472)	\$ (147,067)	\$ (144,163)
Provision for income taxes				
Current				
U.S. federal	-	-	-	-
State and local	(800)	(800)	(800)	(800)
Foreign	-	(2,535)	-	(2,535)
Income tax benefit(loss)	\$ (800)	\$ (3,335)	\$ (800)	\$ (3,335)

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

Note 7 - Bank Short Term Debt

	June 30, 2018	December 31, 2017
Short term loan	\$ -	\$ -

The Company signed revolving credit agreements with a lending institution.. All loans were fully repaid on December 5, 2017.

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 following 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 following 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. An imputed effective interest of \$11,364 on this pay off was recognized as interest expense for the reporting period ended March 31, 2018. There is no more long term loans for the three months ended June 30, 2018.

Note 9 - Geographic Information

Product revenues for the three and six months ended June 30, 2018 and 2017 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Customers based in:				
Europe	\$ -	\$ 1,627	\$ -	\$ 10,885
Asia	-	-	-	2,249
United States	-	365	1,182	5,463
Others	-	-	-	-
	\$ -	\$ 1,992	\$ 1,182	\$ 18,597

Note 10 - Related Party Transactions

The Company has recorded expenses for the following related party transactions for six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
	2018	2017
Purchase from Anteya Technology Corp	\$ -	\$ 8,248
Rent paid to Mr. Wei-Rur Chen	\$ -	\$ 23,363

Mr. Chen was willing to exempt the rent payment of the Company for the 6-month period ended June 30, 2018, as the Company was going through transformation and seeking new business opportunities. The rent payment will be forgiven only for the 9-month period ended September 30, 2018.

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

	June 30, 2018	December 31, 2017
Anteya Technology Corp		
Due (to) from affiliate	\$ 13,410	\$ 13,774
Mr. Wei-Rur Chen		
Payable to Shareholder	\$ (265,844)	\$ (441,603)

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

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, 2018. All transactions were at market-based prices.

Mr. Wei-Rur Chen made various advances to the Company as personal loan. This personal loan carried no interest and was payable upon request. For the six months ended June 30, 2018, advances from Mr. Chen was \$91,919 and repayment to Mr. Chen totaled \$267,678 and the net repayment was \$175,759. The balance of advance from Mr. Chen was \$265,844 as of June 30, 2018.

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 June 30, 2018 are as follows:

	For the year ended December 31	
	2018	24,450
	2019	\$ 48,900

	Six months ended June 30,	
	2018	2017
Rent expenses	\$ 17,077	\$ 23,364

Note 12 - Issuance of New Shares and Proceeds

The Company issued 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 proceeds of US \$410,256.38 on February 5, 2018. Part of this total proceeds of \$199,967 was collected and deposited by the Company in the reporting period ended December 31, 2017 and was recorded as current liabilities. Upon the issuance of these new shares the current liabilities were reduced by the same amount for this reporting period. The proceeds were used for the repayment of the short-term loan and some of the shareholder's personal loan to the Company and fund for operations.

Note 13 - Subsequent Events

The Company evaluated all events subsequent to June 30, 2018 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 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.

On October 18, 2018, the Company had a pre-hearing telephone conference with the Commission regarding the Proceeding. During the pre-hearing conference, it was agreed that the Commission's motion for summary disposition against the Company would be due on November 15, 2018; the Company's opposition brief would be due on December 13, 2018; and that the Commission's reply brief would be due on December 20, 2018. The Commission has offered the Company the alternative to consent to the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act to avoid the time and cost associated with contesting the Proceeding. If the Company were to consent to the revocation of its registration, the Company would then need to file a registration statement (with two years of audited financials) with the Commission and cause that registration statement to become effective in order to reinstate the registration of the Company's securities. It is the Company's understanding from the pre-hearing conference with the Commission that the only remedy the Commission has for delinquent filers such as the Company, even if the filer becomes current by the date of the hearing, is the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act. Therefore, the Company cannot provide any assurances that it will be able to avoid the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act due to the Company becoming delinquent in its filings. If the registration of the Company's securities is revoked, the Company intends to file a registration statement with the Commission to reinstate the registration of the Company's securities. The Company cannot provide any assurances as to the timing of the filing and effectiveness of such a registration statement.

On November 10, 2018, Mr. Hsui-Fu Liu resigned as a Director of the Company. His resignation was not the result of any disagreements with the Company.

On November 29, 2018, the remaining two directors on the Board of Directors of the Company appointed Mr. Michael W. Chung to the Board of Directors to fill the vacancy created by the resignation of Mr. Liu Hsiu-Fu.

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 have historically operated as 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 has historically ranged 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. Due to environmental changes in 2018 adversely affecting the LED lighting market, in 2018 the Company began to phase out of the LED lighting market and change its business model into a holding company to acquire and operate other companies. There is no assurance that the Company will be able to acquire any operating companies.

(b) Material Transactions During the Reporting Period.

None.

Results of Operations

Comparison of Three Months Ended June 30, 2018 to Three Months Ended June 30, 2017

Net Sales. Net sales decreased to \$0 for the three months ended June 30, 2018, from \$1,992 for the three months ended June 30, 2017. 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 \$0 for the three months ended June 30, 2018 from \$1,526 for the three 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 \$0 for the three months ended June 30, 2018 from \$466 for the three months ended June 30, 2017. The decrease in gross profit was primarily due to the decrease in overall sales.

Gross Profit Percentage. Gross profit percentage decreased to 0% for the three months ended June 30, 2018 from 23.39% for the three months ended June 30, 2017. The decrease in gross profit percentage was due to no sales for the period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to \$77,717 for the three months ended June 30, 2018 from \$84,220 for the three months ended June 30, 2017. The decrease in selling, general and administrative expenses is primarily related to employee lay-off expense during the 2017 period.

Research and Development Expenses . Research and development (R&D) expenses were \$0 for the three months ended June 30, 2018 as compared to \$0 for the three months ended June 30, 2017. The lack of research and development expenditure was due to overall lack of profitability.

Depreciation and Amortization. Depreciation and amortization decreased to \$448 for the three months ended June 30, 2018 from \$1,802 for the three months ended June 30, 2017. The decrease in depreciation and amortization was mainly due to the decrease of asset value over time.

Interest Expense . Interest expense decreased to \$25 for the three months ended June 30, 2018 from (\$5,450) for the three months ended June 30, 2017. The decrease in interest expense was due to overall repayment of long term loan.

Net Income (loss). For the three months ended June 30, 2018, we incurred a net loss of \$(80,493) as compared to a net loss of \$(98,807) for the three months ended June 30, 2017. The decrease in net loss was primarily a result of decrease in selling, general and administrative and rent expenses.

Comparison of Six Months Ended June 30, 2018 to Six Months Ended June 30, 2017

Net Sales. Net sales decreased to \$1,182 for the six months ended June 30, 2018, from \$18,597 for the six months ended June 30, 2017. 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 \$595 for the six months ended June 30, 2018 from \$14,301 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 \$587 for the six months ended June 30, 2018 from \$4,296 for the six months ended June 30, 2017. The decrease in gross profit was primarily due to the decrease in overall sales.

Gross Profit Percentage. Gross profit percentage increased to 49.66% for the six months ended June 30, 2018 from 23.1% for the six months ended June 30, 2017. The increase in gross profit percentage was primarily due to higher margin products were sold for the period in 2018.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to 114,365 or the six months ended June 30, 2018 from \$119,938 for the six months ended June 30, 2017. 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, 2018 as compared to \$0 for the six months ended June 30, 2017. The lack of research and development expenditure was due to overall lack of profitability.

Depreciation and Amortization. Depreciation and amortization decreased to \$918 for the six months ended June 30, 2018 from \$3,864 for the six months ended June 30, 2017. 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 (\$11,308) for the six months ended June 30, 2018 from (\$10,533) for the six months ended June 30, 2017. The increase in interest expense was due to accelerated repayment of the long-term loan.

Net Income (loss) . For the six months ended June 30, 2018, we incurred a net loss of \$(147,867) as compared to a net loss of \$(147,498) for the six months ended June 30, 2017. 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, the Company has been seeking for other business lines or investment opportunities.

Net cash provided by (used in) operating activities. During the six months ended June 30, 2018, net cash used in operating activities was (\$318,743) compared with \$(179,001) used in operating activities for the six months ended June 30, 2017. The cash flow used in operating activities in the six months ended June 30, 2018 was primarily the result of net loss in operations and receipts in advance and other current liabilities. The cash flow used in operating activities in the six months ended June 30, 2017 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, 2018, net cash provided by financing activities was \$146,961 compared with \$171,629 provided by investing activities for the six months ended June 30, 2017.

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.

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 \$0 and \$23,363 for the six months ended June 30, 2018 and 2017, 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.

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.

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 Notice of Hearing (the "Proceeding") 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. The Company filed an Answer in the Proceeding on September 26, 2018.

On October 18, 2018, the Company had a pre-hearing telephone conference with the Commission regarding the Proceeding. During the pre-hearing conference, it was agreed that the Commission's motion for summary disposition against the Company would be due on November 15, 2018; the Company's opposition brief would be due on December 13, 2018; and that the Commission's reply brief would be due on December 20, 2018. The Commission has offered the Company the alternative to consent to the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act to avoid the time and cost associated with contesting the Proceeding. If the Company were to consent to the revocation of its registration, the Company would then need to file a registration statement (with two years of audited financials) with the Commission and cause that registration statement to become effective in order to reinstate the registration of the Company's securities. It is the Company's understanding from the pre-hearing conference with the Commission that the only remedy the Commission has for delinquent filers such as the Company, even if the filer becomes current by the date of the hearing, is the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act. Therefore, the Company cannot provide any assurances that it will be able to avoid the revocation of the registration of the Company's securities pursuant to Section 12 of the Exchange Act due to the Company becoming delinquent in its filings. If the registration of the Company's securities is revoked, the Company intends to file a registration statement with the Commission to reinstate the registration of the Company's securities. The Company cannot provide any assurances as to the timing of the filing and effectiveness of such a registration statement.

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	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
*	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: December 10, 2018

By: */s/ Wei-Rur Chen*

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: December 10, 2018

/s/ Wei-Rur Chen

Wei-Rur Chen, President and CEO

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: December 10, 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-Q of ColorStars Group (the "Company") for the quarterly period ended June 30, 2018 (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

December 10, 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 10-Q of ColorStars Group (the "Company") for the quarterly period ended June 30, 2018 (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

December 10, 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.
