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TS ELECTRONICS INC
Form 10QSB
February 22, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended December 31, 2004

OR

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

For the transition period from _____ to _____

TS ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

| | | |
|-----------------------------|--------------------------|-------------------------------|
| Delaware | 0-29523 | 73-1564807 |
| ----- | ----- | ----- |
| (state of incorporation) | (Commission File Number) | (IRS Employer I.D. Number) |

3795 Georgetown Road, Pottsboro, TX 75076
903-786-9618

(Address and telephone number of registrant's principal
executive offices and principal place of business)

111 Hilltop Lane, Pottsboro, TX 75076

(Former address, if changed since last report)

Securities registered under Section 12(b) of the Exchange Act: None

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

Common Stock, \$0.001 par value

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act of 1934 during the past 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

As of February 17, 2005, the Company had 600,015 shares of its \$.001
par value common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
Balance Sheets
(Unaudited)

Dec 31
2004

June 30,
2004

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ASSETS

CURRENT ASSETS

| | | |
|---------------------------|-------|-------|
| Cash and Cash Equivalents | \$ 84 | \$ 84 |
| | ----- | ----- |
| Total Current Assets | 84 | 84 |
| | | |
| Total Assets | \$ 84 | \$ 84 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

| | | |
|---------------------------------------|-----------|-----------|
| Accounts Payable and Accrued Expenses | \$ 96,487 | \$ 68,406 |
| | ----- | ----- |
| Total Current Liabilities | 96,487 | 68,406 |
| | | |
| Total Liabilities | 96,487 | 68,406 |

STOCKHOLDERS' DEFICIT

| | | |
|---|-------------|-------------|
| Common stock - \$.001 Par Value; 30,000,000 shares authorized; 600,015 shares issued and outstanding | 600 | 600 |
| Shares To Be Issued | 2,000 | 2,000 |
| Additional Paid in Capital | 3,763,359 | 3,763,359 |
| Deficit Accumulated | (3,862,362) | (3,834,281) |
| | ----- | ----- |
| Total Stockholders' Deficit | (96,403) | (68,322) |
| | ----- | ----- |
| Total Liabilities and Stockholders' Deficit | \$ 84 | \$ 84 |
| | ===== | ===== |

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

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
Statements of Operations
(Unaudited)

| | 3 months ended December 31, | | 6 Months Ended December 31, | |
|----------|--------------------------------|-------|--------------------------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| | ----- | ----- | ----- | ----- |
| REVENUES | -- | \$ -- | -- | \$ -- |

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| | | | | |
|---|-------------|-----------|-------------|--------|
| EXPENSES | | | | |
| Impairment of Property & Equipment | -- | -- | -- | |
| Cost of Goods Sold | -- | -- | -- | 2 |
| General and Administrative Expenses | \$ 17,357 | 563 | \$ 28,081 | 6 |
| | ----- | ----- | ----- | ----- |
| Total Expenses | 17,357 | 563 | 28,081 | 9 |
| | ----- | ----- | ----- | ----- |
| Loss from Operations | (17,357) | (563) | (28,081) | (8) |
| OTHER INCOME AND (EXPENSES) | | | | |
| Miscellaneous Income | -- | -- | -- | |
| Loss on Disposal of Assets and Liabilities | -- | -- | -- | (50) |
| Interest Expense | -- | -- | -- | (|
| Gain (Loss) on Settlement of Debt | -- | -- | -- | 12 |
| | ----- | ----- | ----- | ----- |
| Total Other (Income) and Expenses | -- | -- | -- | (38) |
| Net Income (Loss) | \$ (17,357) | \$ (563) | \$ (28,081) | \$ (47 |
| | ===== | ===== | ===== | ===== |
| Earnings (Loss) Per Common Share, Basic and Diluted | \$ (0.03) | \$ (0.00) | \$ (0.05) | \$ |
| | ===== | ===== | ===== | ===== |
| Weighted Average common Shares Outstanding | 600,015 | 600,015 | 600,015 | 53 |
| | ===== | ===== | ===== | ===== |

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

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TS ELECTRONICS, INC.
(FORMERLY, SOFTSTONE, INC.)
STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | 6 Months Ending December 31, | |
|--|------------------------------|--------------|
| | 2004 | 2003 |
| | ----- | ----- |
| | | (Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | \$ (28,081) | \$ (474,313) |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Flows used in Operating Activities: | | |
| Loss on sale of assets | -- | 504,190 |
| Issuance of common stock for services | -- | 8,599 |
| (Gain) Loss on settlement of debt | -- | (120,362) |
| Increase (decrease) of accounts payable & accrued expenses | 28,081 | 46,080 |
| | ----- | ----- |
| Total Adjustments | 28,081 | 438,507 |
| | ----- | ----- |
| Net Cash Flows used in Operating Activities | -- | (35,806) |

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| | | |
|--|-------|----------|
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of assets | -- | (2,500) |
| | ----- | ----- |
| Net Cash Flows provided by Investing Activities | -- | (2,500) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on loans and debts | -- | (3,804) |
| Proceeds from borrowing | -- | 40,411 |
| | ----- | ----- |
| Net Cash Flows provided by Financing Activities | -- | 36,607 |
| | ----- | ----- |
| Net Increase (Decrease) in Cash and Cash Equivalents | -- | (1,699) |
| Cash and Cash Equivalents at Beginning of Period | 84 | 1,789 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 84 | \$ 90 |
| | ===== | ===== |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash Paid for Interest | \$ -- | \$ 5,595 |

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

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. ORGANIZATIONS AND DESCRIPTION OF BUSINESS

TS Electronics, Inc. (formerly, Softstone, Inc.) (the "Company"), a Delaware corporation, was incorporated on October 7, 1998. The Company was formed to manufacture a patented rubber product used in the road and building construction industries. Its principal activities have consisted of financial planning, establishing sources of production and supply, developing markets, and raising capital. Prior to July 2002, the Company was in the development stage as defined by Statement of Financial Accounting Standards No. 7 "ACCOUNTING AND REPORTING BY DEVELOPMENT STAGE ENTERPRISES". Its principal operations began in the quarter ended September 30, 2002. On August 13, 2003, the Company changed its name to TS Electronics, Inc.

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and the instructions to the Quarterly Report on Form 10-QSB and Item 310 of Regulation S-B. Accordingly, certain

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information and footnote disclosures normally included in financial statements prepared under generally accepted accounting principles have been condensed or omitted pursuant to such principles and regulations. The information furnished reflects all adjustments, which are, in the opinion or management, of a normal recurring nature and necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods presented. The accompanying financial statements and related notes should be read in conjunction with the audited financial statements of the Company, and notes thereto, for the year ended June 30, 2004, as filed with our Form 10K-SB. Results for interim periods are not necessarily an indication of results to be expected for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

REVENUE RECOGNITION

Revenue is recognized when merchandise is shipped to a customer.

ACCOUNTS PAYABLE AND RECEIVABLE

The Company has an amount payable to a related party of \$3,528 as of December 31, 2004 which represents professional fees and miscellaneous expenses paid by the related party on behalf of the Company. The amounts are due on demand, unsecured and interest free.

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

EARNINGS PER SHARE

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase the Company's common stock at the average market price during the period.

Basic and diluted net loss per share for the three month and six month periods ended December 31, 2004 and 2003 were determined by dividing net loss for the periods by the weighted average number of basic and diluted shares of common stock outstanding. Weighted average number of shares used to compute basic and diluted loss per share is the same since there are no dilutive securities outstanding.

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USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ACCOUNTING DEVELOPMENTS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities", an interpretation of accounting Research Bulletin ("ARB") No. 51 "Consolidated Financial Statement". In December 2003, the FASB issued a revised version of FIN 46 (FIN 46R) that replaced the original FIN 46. Interpretation No. 46R addresses consolidation by business enterprises of variable interest entities, which one or both of the following characteristics: (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated support from other parties, which is provided through other interest that will absorb some or all of the expected losses of the entity; (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: the direct or indirect ability to make decisions about the entities activities through voting rights or similar rights; or the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected loss.

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Interpretation No. 46R, also requires expanded disclosures by the primary beneficiary (as defined) of a variable interest entity and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. Interpretation No. 46 as revised, applies to small business issues no later than the end of the first reporting period that ends after December 15, 2004. The Company does not believe adoption of this interpretation will have a material impact on the Company's financial position or results of operations.

In June 2003, the FASB issued an Exposure Draft for a proposed statement of financial accounting standards ("SFAS") entitled "Qualifying Special Purpose Entities ("QSPE") and Isolation of Transferred Assets", an amendment of SFAS No. 140 ("The Exposure Draft"). The Exposure Draft is a proposal that is subject to change and as such is not yet authoritative. If the proposal is enacted in its current form, it will amend and clarify SFAS 140. The Exposure Draft

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would prohibit an entity from being a QSPE if it enters into an agreement that obligated a transferor of financial assets, its affiliates or its agents to deliver additional cash or other assets to fulfill the special-purpose entity's obligation to beneficial interest holders. The Company does not believe that this exposure draft will have a material effect on the Company's financial position or results of operations.

3. NOTES PAYABLE

During the quarter ended September 30, 2003, the Company issued 6,879 shares of common stock valued at \$40,519 for settlement of amounts payable to related parties totaling \$160,881, resulting in a gain of \$120,362 on settlement of debt.

Also during the quarter ended September 30, 2003, the Company issued 239,273 shares of common stock to a related party for the assumption by the related party of all remaining notes payable, accounts payable and accrued expenses, net of an accounts receivable of \$1,765. The stock was valued at \$1,409,318. The net debt and assets disposed of totaled \$905,128 resulting in a loss of \$504,190. The Company has no notes payable as of December 31, 2004.

4. GOING CONCERN

The accompanying unaudited interim financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, the Company has an accumulated deficit of \$3,862,362 at December 31, 2004 and a negative working capital of \$96,403 at December 31, 2004. In view of the matters described above, the ability to pay the obligations shown in the accompanying balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Management's plan of operations anticipates that the cash requirements for the next twelve months will be met by obtaining funding from related parties to pay for professional fees to sustain the Company until the Company is sold to a new entity. However, there is no assurance that the Company will be able to implement its plan.

5. REORGANIZATION

On July 31, 2003, the Company entered in to a reorganization agreement with TS Electronics Corporation (TSEC), a Delaware corporation. Under the reorganization agreement, TSEC shareholders were to purchase from

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the Company, 5,350,000 shares of its common stock in a private placement under rule 506 of the Regulation D of the Securities Act of 1933, in exchange for the transfer to the Company of all the capital stock of TSEC. Under the agreement, all of the directors of the Company were to be replaced by the designee of TSEC to fill this vacancy and become the director of the Company.

Per the agreement, TSEC and its shareholders were to be indemnified by the Company against any liabilities arising either from a failure of the Company or its current president to discharge all liabilities of the Company. The closing of the agreement was to be effective subject to compliance of Securities and Exchange filing rules and regulations.

Pursuant to the reorganization agreement, on August 13, 2003, the Company filed its Certificate of Amendment to Certificate of Incorporation with the Secretary of State of the State of Delaware changing its name to "TS Electronics, Inc." and consolidating the common stock of the corporation. The stock consolidation to 600,000 shares, \$0.001 par value, effective August 14, 2003, consolidates each 21.8045 outstanding shares to one share, with fractional shares being rounded up or down to the nearest whole number.

On January 20, 2004, the Company withdrew the preliminary information statement and amendments for the reason that the proposed business combination between the two companies had been abandoned.

6. RESTATEMENT

Subsequent to the issuance of the Company's unaudited interim financial statements for the three months ended September 30, 2003, the Company determined that certain transactions and presentations in the financial statements had not been accounted for properly. The Company reevaluated the fair value of the 246,152 shares of common stock issued during the three months ended September 30, 2003 for the settlement of accounts payable and disposal of all other notes payable, accounts payable and accrued expenses.

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TS ELECTRONICS, INC. (Formerly, Softstone, Inc.) NOTES TO UNAUDITED FINANCIAL STATEMENTS

The Company determined that the 6,879 shares issued for settlement of accounts payable - related parties should be valued at \$40,519 instead of \$25,796 and the 239,273 shares issued for disposal of all other notes payable and accrued expenses should be valued at \$1,409,318 instead of \$1,359,071. The Company's unaudited interim financial statements have been restated to correct errors as follows:

| | AS PREVIOUSLY REPORTED | AS RESTATED |
|------------------------------------|---------------------------|----------------|
| | ----- | ----- |
| Six months ended December 31, 2003 | | |
| BALANCE SHEET | | |
| Accumulated deficit: | \$(3,139,611) | \$(3,804,302) |

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| | | | | |
|-----------------------------|----|----------|----|-----------|
| Total stockholders' deficit | \$ | (43,889) | \$ | (108,580) |
|-----------------------------|----|----------|----|-----------|

STATEMENT OF OPERATIONS:

| | | | | |
|--|----|---------|----|---------|
| Loss on disposal of assets and liabilities | \$ | 454,220 | \$ | 504,190 |
| Gain on settlement of debt | \$ | 135,083 | \$ | 120,362 |
| Net loss | \$ | 409,622 | \$ | 474,313 |
| Basic and diluted net loss per share | \$ | (0.77) | \$ | (0.89) |

7. STOCK EXCHANGE AGREEMENT

Effective August 11, 2004 the Company entered into a Stock Exchange Agreement (the "Agreement") with Mr. Hou Xiao, the sole shareholder of China ESCO Holdings Limited ("China ESCO"), a company organized in the Hong Kong Special Administration Region in The People's Republic of China and its wholly owned operating subsidiary, AsiaNet PE Systems Limited. China ESCO was incorporated on February 13, 2004, to be the present holding company of AsiaNet PE Systems Limited that was organized on April 25, 2000, in the Zhu Hai City Economic Special District, Guangdong Province in the People's Republic of China (the "PRC"). China ESCO is engaged in the development and manufacturing of electrical energy saving systems and products in the PRC.

The agreement provides that the Company will issue approximately 11,201,902 shares of its restricted common stock in exchange for 100% of the issued and outstanding capital stock of China ESCO which will represent approximately 94% of the then total issued and outstanding common stock of the Company after the exchange.

Both the Company and China ESCO have commenced due diligence investigations of each other in preparation for the consummation of the transaction. The Company plans to prepare appropriate shareholder materials for dissemination to the shareholders to obtain shareholder approval of the proposed transaction as soon as practicable, subject to completion of due diligence and receipt of appropriate financial statements of China ESCO and its subsidiary.

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

If the transaction is consummated, the name of the Company is expected to be changed to "China ESCO Corporation" or such other name as selected by China ESCO. Upon closing, all of the current officers and directors of the Company will resign and will be replaced by officers and directors of China ESCO. The Agreement also contemplates the adoption of a 2004 Stock Benefit Plan, the appointment of new auditors as the independent auditors of the Company and the filing of an amendment to the Certificate of Incorporation of the Company to change its name, as described, and to increase the authorized number of shares of common stock from 30,000,000 shares to 50,000,000 shares of common stock.

The consummation of the transaction with China ESCO is subject to a

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number of conditions, including approval by the board of directors of the Company and China ESCO and the shareholders of the Company and China ESCO, completion of satisfactory due diligence, receipt by the Company of financial statements of China ESCO as required under applicable regulations, and satisfaction of all applicable regulatory requirements. As a result of the exchange of the China ESCO stock in exchange for the Company's stock, China ESCO will become a wholly-owned subsidiary of the Company.

In January, 2005, the Company declared China ESCO to be in material breach of the Agreement and rescinded the Agreement.

8. SUBSEQUENT EVENT

Effective February 8, 2005, the Company executed a Letter of Intent with Osage Energy Company, LLC ("Osage") whereby Osage would acquire 90% of the equity interests of the Company.

The consummation of the transaction with Osage is subject to a number of conditions, including approval by the board of directors of the Company and Osage and the shareholders of the Company and Osage, completion of satisfactory due diligence, receipt by the Company of financial statements of Osage as required under applicable regulations, and satisfaction of all applicable regulatory requirements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES THERETO AND IS QUALIFIED IN ITS ENTIRETY BY THE FOREGOING AND BY MORE DETAILED FINANCIAL INFORMATION APPEARING ELSEWHERE. SEE "ITEM 1. FINANCIAL STATEMENTS."

RESULTS OF OPERATIONS - SECOND QUARTER (Q2) OF FISCAL YEAR 2005 COMPARED TO SECOND QUARTER OF FISCAL YEAR 2004

TS Electronics had no sales in Q2 2005, as compared with sales of \$-0- in Q2 2004 (TS Electronics' fiscal year ends on June 30). Until TS Electronics (i) successfully sells its devulcanized rubber technology or (ii) consistently brokers crumb rubber, it will continue to operate at a loss.

Our general, selling and administrative expenses - which have been devoted to raising capital and acquiring a public market for our common stock - were \$17,357 in Q2 2005 as compared with \$62,502 in Q2 2004.

We had a loss of \$17,357 in Q2 2005, or \$0.03 a share, as compared with a loss of \$563 in Q2 2004, or \$nil a share.

RESULTS OF OPERATIONS - FIRST HALF OF FISCAL YEAR 2005 COMPARED TO FIRST HALF OF FISCAL YEAR 2004

TS Electronics had no sales in the first half of FY 2005 (December 31, 2004) compared to sales of \$7,317 in the first half of FY 2004 (December 31,

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2003). Until TS Electronics (i) successfully sells its devulcanized rubber technology or (ii) consistently brokers crumb rubber, it will continue to operate at a loss.

Our general, selling and administrative expenses - which have been devoted to raising capital and acquiring a public market for our common stock - were \$28,081 in the first half of FY 2005 as compared with \$62,502 in the first half of FY 2004.

We had a net loss of \$28,081, or \$0.05 a share, in the first half of FY 2005 as compared with a net loss of \$474,313, or \$0.89 a share, in the first half of FY 2004. The loss was due primarily to a loss of \$504,190 on the disposal of asserts, although we did gain \$120,362 in the settlement of debts.

OFF-BALANCE SHEET ARRANGEMENTS

Our company has not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have

- o an obligation under a guarantee contract,

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- o a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets,
- o any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, or
- o any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

OUTLOOK

THE STATEMENTS MADE IN THIS OUTLOOK ARE BASED ON CURRENT PLANS AND EXPECTATIONS. THESE STATEMENTS ARE FORWARD LOOKING, AND ACTUAL RESULTS MAY VARY CONSIDERABLY FROM THOSE THAT ARE PLANNED.

Management's plan of operations anticipates that the cash requirements for the next twelve months will be met by obtaining funding from related parties to pay for professional fees to sustain the Company until the Company is sold to a new entity. However, there is no assurance that the Company will be able to implement its plan.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934,

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within the time periods specified in the SEC's rules and forms.

CHANGES IN INTERNAL CONTROLS. There were no significant changes in internal controls or other factors that could significantly affect our internal controls subsequent to the date of our evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not, and none of our property is, a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

No director, officer or affiliate of the company, and no owner of record or beneficial owner of more than 5.0% of the securities of the company, or any associate of any such director, officer or security holder is a party adverse to the company or has a material interest adverse to the Company in reference to any litigation.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

The following exhibits are filed, by incorporation by reference, as part of this Form 10-QSB:

- | | |
|------|---|
| 2 | Agreement and Plan of Reorganization of July 24, 2002 between Softstone, Inc. and Kilkenny Acquisition Corp.* |
| 3 | Certificate of Incorporation of Softstone Inc.* |
| 3.1 | Bylaws of Softstone, Inc.* |
| 10 | Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.* |
| 10.1 | Scrap Tire Disposal Agreement of January 11, 2000, between Michelin North America, Inc., and Softstone, Inc.* |
| 10.2 | Letter of intent of May 1, 2002, of Little Elm Independent School District regarding the Little Elm Walking Trail.* |
| 10.3 | Agreement of March 15, 2002 with Lev gum, Inc. concerning exclusive license to Western Hemisphere for Lev gum's devulcanization technology.** |
| 10.4 | Reorganization Agreement of August 2, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+ |
| 10.5 | Escrow Agreement of August 1, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+ |
| 10.6 | Form of August 1, 2003 Lockup Agreement between TS Electronics Corporation, certain shareholders of Softstone Inc. and the custodian.+ |

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- 10.7 Stock Exchange Agreement dated August 11, 2004.++
- 14 Code of Ethics for CEO and Senior Financial Officers.***

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- 16.2 Letter of March 8, 2004 of Kabani & Company, Inc. agreeing with the statements made in Amendment No. 1 to Form 8-K by TS Electronics, Inc., concerning TS Electronics' change of principal independent accountants.+++
- 31 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.1 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 United States Patent No. 5,714,219.*

* Previously filed with Form 8-K August 8, 2002 Commission File No. 000-29523; incorporated by reference.

** Previously filed with Form 8-K August 27, 2002 Commission File No. 000-29523; incorporated by reference.

*** Previously filed with Form 8-K September 11, 2002 Commission File No. 000-29523; incorporated by reference.

+ Previously filed with Form 10-QSB 09-30-03 Commission File No. 000-29523, incorporated by reference.

++ Previously filed with Form 8-K (Exhibit 10.1) 08-17-04 Commission File No. 000-29523, incorporated by reference.

+++ Previously filed with Amendment 1 to Form 8-K 02-04-04 Commission File No. 000-29523, incorporated by reference.

(b) REPORTS ON FORM 8-K

None

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SIGNATURES

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In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 22, 2005

TS ELECTRONICS, INC.

By /S/ KEITH P. BOYD

Keith P. Boyd, President

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TS ELECTRONICS, INC.
Commission File Number 0-29523

INDEX TO EXHIBITS TO FORM 10-QSB 12-31-04

The following exhibits are filed, by incorporation by reference, as part of this Form 10-QSB:

- 2 - Agreement and Plan of Reorganization of July 24, 2001 between Softstone, Inc. and Kilkenny Acquisition Corp.*
- 3 - Certificate of Incorporation of Softstone Inc.*
- 3.2 - Bylaws of Softstone, Inc.*
- 10 - Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.*
- 10.1 - Scrap Tire Disposal Agreement of January 11, 2000, between Michelin North America, Inc., and Softstone, Inc.*
- 10.2 - Letter of intent of May 1, 2001, of Little Elm Independent School District regarding the Little Elm Walking Trail.*
- 10.3 - Agreement of March 15, 2002 with Lev gum, Inc. concerning exclusive license to Western Hemisphere for Lev gum's devulcanization technology.**
- 10.4 - Reorganization Agreement of August 2, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+
- 10.5 - Escrow Agreement of August 1, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+
- 10.6 - Form of August 1, 2003 Lockup Agreement between TS Electronics Corporation, certain shareholders of Softstone Inc. and the custodian.+
- 10.7 - Stock Exchange Agreement dated August 11, 2004.++

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- 14 - Code of Ethics for CEO and Senior Financial Officers.***
- 16.2 - Letter of March 8, 2004 of Kabani & Company, Inc. agreeing with the statements made in Amendment No. 1 to Form 8-K by TS Electronics, Inc., concerning TS Electronics' change of principal independent accountants.+++
- 31 - Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.1 - Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 - Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.1 - Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 - United States Patent No. 5,714,219.*
- * Previously filed with Form 8-K August 8, 2001 Commission File No. 000-29523; incorporated by reference.
- ** Previously filed with Form 10-QSB May 20, 2002 Commission File No. 000-29523; incorporated by reference.
- *** Previously filed with Form 8-K September 11, 2002 Commission File No. 000-29523; incorporated by reference.
- + Previously filed with Form 10-QSB 09-30-03 Commission File No. 000-29523, incorporated by reference.
- ++ Previously filed with Form 8-K (Exhibit 10.1) 08-17-04 Commission File No. 000-29523, incorporated by reference.
- +++ Previously filed with Amendment 1 to Form 8-K 02-04-04 Commission File No. 000-29523, incorporated by reference.