COMET TECHNOLOGIES INC
Form PRER14C
August 16, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14C
Amendment No. 1

Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934

Check the appropriate box:

[x] Preliminary Information Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
[ ] Definitive Information Statement

COMET TECHNOLOGIES, INC.
(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies: Common stock, par value $0.001.

(2) Aggregate number of securities to which transaction applies: 18,390,000 shares of Common Stock.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): $0.75 (market price based on average bid prices as of May 14, 2004, of $0.25 after giving effect to proposed 1-for-3 reverse split described in the Information Statement, pursuant to Section 240.0-11(c) and (a)(4)).

(4) Proposed maximum aggregate value of transaction: $13,792,500

(5) Total fee paid: $1,747.51

[X] Fee paid previously with preliminary materials.
[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

COMET TECHNOLOGIES, Inc.
10 West 100 South #610
Salt Lake City, UT 84101

INFORMATION STATEMENT PURSUANT TO SECTION 14(C)
OF THE SECURITIES EXCHANGE ACT OF 1934 AND REGULATION 14C THEREUNDER

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE
REQUESTED NOT TO SEND US A PROXY

Dear Shareholder:

The enclosed information statement is being furnished to shareholders of record on August 18, 2004 (the "Record Date") of Comet Technologies, Inc. ("Comet" or the "Company"), a Nevada corporation, in connection with the following actions taken by written consent of holders of a majority of the outstanding shares of our common stock ("Common Stock") entitled to vote on the following proposals:

(1) To amend our Articles of Incorporation to change our name to "Town House Holdings, Inc.," or such similar name as determined by the Board of Directors upon effectuation of the Exchange Agreement between Comet and Town House Land Limited, as described in this Information Statement, and to increase the authorized number of shares of the Company from 20,000,000 to 50,000,000 shares of Common Stock, par value $0.001;

(2) To effect a one-for-three (1-for-3) reverse split of the current issued and outstanding Common Stock of the Company;

(3) To elect a new Board of Directors consisting of six persons, who are designees of Town House: Mr. Fang Zhong, Ms. Hu Min, Mr. Luo Yun Fang, Mr. Fang Wei Feng, Mr. Fang Wei Jun, and Ms. Fang Hui;

(4) To adopt the Comet 2004 Stock Incentive Plan; and

(5) To approve the appointment of Murrell, Hall, McIntosh & Co., PLLP, independent auditors of Town House, as the independent auditors of the Company for the fiscal year ended December 31, 2004.

SHAREHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON AUGUST 18, 2004 SHALL BE ENTITLED TO RECEIPT OF THIS INFORMATION STATEMENT.

BY ORDER OF THE BOARD OF DIRECTORS,

August ___, 2004 /s/ Jack M. Gertino

Jack M. Gertino, Chairman

COMET TECHNOLOGIES, Inc.
10 West 100 South #610
Salt Lake City, UT 84101

INFORMATION STATEMENT FOR SHAREHOLDERS

The Board of Directors of Comet Technologies, Inc., a Nevada corporation (the "Company") is furnishing this Information Statement to shareholders in connection with a Majority Action of Shareholders of the Company to be taken by the Company in connection with the Company's acquisition of Town House Land Limited ("Town House"), in a "reverse acquisition" (the "Acquisition").

The actions previously approved in writing by holders of a majority of the outstanding shares of the Company are:

(a) the approval of a change in the Company's name to "Town House Holdings, Inc.," or such similar name as determined by the Board of Directors and the increase in the authorized number of shares of the Company from 20,000,000 to 50,000,000 shares of Common Stock, par value $0.001;

(b) the approval of a one-for-three reverse split of the outstanding stock;

(c) the election of a new Board of Directors consisting of six persons, who are designees of Town House: Mr. Fang Zhong, Ms. Hu Min, Mr. Luo Yun Fang, Mr. Fang Wei Feng, Mr. Fang Wei Jun, and Ms. Fang Hui;

(d) the approval of the Company's 2004 Stock Incentive Plan; and

(e) the approval of the appointment of Murrell, Hall, McIntosh & Co., PLLP, the independent auditors of Town House, as the independent auditors of the Company for the fiscal year ending December 31, 2004.

All of the above matters have been approved by holders of approximately 55.6% of the outstanding shares of the Company in accordance with Nevada corporate law. However, under federal law these proposals will not be effective until at least 20 days after this Information Statement has first been sent to shareholders.

This Information Statement is first being mailed to shareholders on or about August ___, 2004.

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## QUESTIONS AND ANSWERS

Q: What am I being asked to approve?

A: You are not being asked to approve anything. This Information Statement is being provided to you solely for your information. Shareholders holding a majority of the outstanding voting Common Stock of the Company have already agreed to approve:

- a one-for-three reverse stock split of the Company's outstanding Common Stock;
- a change in the name of the Company to "Town House Holdings, Inc.," or such similar name as determined by the Board of Directors, and an increase in capitalization from 20,000,000 shares to 50,000,000 shares of Common Stock;
- the Company's 2004 Stock Incentive Plan, described in this Information Statement;
- the election of a new Board of Directors consisting of six persons, who are designees of Town House: Mr. Fang Zhong, Ms. Hu Min, Mr. Luo Yun Fang, Mr. Fang Wei Feng, Mr. Fang Wei Jun, and Ms. Fang Hui; and
- the approval of the appointment of Murrell, Hall, McIntosh & Co., PLLP, the auditors of Town House, as the independent auditors of the Company for the fiscal year ending December 31, 2004.

Q: Why have the Board of Directors and a majority of the shareholders agreed to approve these actions?

A: All of these actions are necessary to accomplish the terms of the Stock Exchange Agreement (the "Exchange Agreement") dated as of January 19, 2004, as amended, between the Company, Town House and the shareholders of Town House.

Q: What are the basic terms of the transaction with Town House?

A: The shareholders of Town House will acquire control of the Company (approximately 92% of the outstanding Common Stock at the closing of the transaction) in exchange for all of the outstanding stock of Town House. After the transaction is completed, Town House will be a wholly-owned subsidiary of the Company and the Company will be controlled by the former shareholders of Town House. You will retain all of your present stockholdings in the Company.

Q: Are there any conditions to the transaction with Town House?

A: Yes. There are several conditions, including the following:

- Approval of a one-for-three reverse stock split of the Company's outstanding Common Stock;
- Approval of the Company's name change and increase in capitalization;
- Approval of the Company's new independent auditors; and
- Approval of the Company's 2004 Stock Incentive Plan.

Q: What business is conducted by Town House?

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A: The principal business operations of Town House are conducted by and through its subsidiary, Wuhan Pacific Real Estate Development Company Limited ("Wuhan Pacific"). Wuhan Pacific is one of the first privately owned property developers in Wuhan City and is one of the largest property developers in Wuhan City, in the People's Republic of China ("PRC") based on a list of top 100 property development enterprises in Wuhan City in terms of Gross Floor Area ("GFA") sold in 2002 published by the Wuhan Statistics Bureau. It engages principally in the development and sale of high quality commercial and private residential properties catering to the mass residential property market in Wuhan City.

Q: Are there risks involved in the transaction with Town House?

A: Yes. After the transaction is completed, the Company's success will be totally dependent upon the success of Town House, and its enterprises in the PRC. The success of Town House will depend on a number of factors, including the growth in demand for developed properties in China; Town House's ability to compete; the influence of the PRC on the Town House's business; the ability to raise capital; and other factors. There are no assurances that Town House's operations will be profitable after the closing of the transaction.

Q: When do you expect to complete the transaction with Town House?

A: Immediately following twenty days after the date of the mailing of this Information Statement. As mentioned, there are a number of conditions to closing the transaction.

## VOTING SECURITIES

Our Articles of Incorporation presently authorize the issuance of 20,000,000 shares of Common Stock, $0.001 par value per share, of which 3,598,000 pre-split shares are issued and outstanding as of the Record Date of August 18, 2004. Each outstanding share is entitled to one vote. Only shareholders of record at the close of business on the Record Date are entitled to notice. The shares are fully paid, non-assessable, without pre-emptive rights, and do not carry cumulative voting rights. Holders of common shares are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common shares are entitled to share ratably in dividends, if any, as may be declared by the Company from time-to-time, from funds legally available. In the event of a liquidation, dissolution, or winding up of the Company, the holders of shares of Common Stock are entitled to share on a pro-rata basis all assets remaining after payment in full of all liabilities.

The Nevada Revised Statutes, Section 78.320, permits stockholders to approve certain actions by written consent without the necessity of a shareholders meeting. Certain shareholders, including officers and directors, owning approximately 55.6% of the outstanding shares, have approved, by written consent, the actions described in this Information Statement.



## GENERAL INFORMATION

### General Information Concerning the Company

Comet Technologies, Inc. (the "Company") is a "blank check" company which has been seeking to locate a business enterprise which it may acquire, merge or reorganize with, or become engaged in. The Company has been unable to find a suitable acquisition or merger candidate until January, 2004, when it entered into an agreement with Town House Land Limited, discussed below. Since its organization in 1986, the Company has not located any specific business enterprise for its involvement, nor had it entered into any arrangement or agreements with respect thereto. Since the completion of the Company's public offering in August 1986, the Company has reviewed and evaluated numerous business ventures for possible acquisition or participation by the Company. To date, the Company has not acquired any business venture or engaged in any active operations.

The Company was not engaged in business operations until January, 2004, when the Company entered into a Stock Exchange Agreement (the "Exchange Agreement") with Town House Land Limited ("Town House"), a company organized in the Hong Kong Special Administrative Region in The People's Republic of China, and the shareholders of Town House, providing for the acquisition of Town House in a reverse acquisition. Comet is a public company whose securities are quoted on the NASD Electronic Bulletin Board under the symbol "CMEK." Following the completion of the acquisition, the operations of Town House will become the principal operations of the Company.

### Proposed Acquisition of Town House

The Company has entered into an Exchange Agreement with Town House and the shareholders of Town House, providing for the acquisition of all of the shares of Town House, in exchange for the issuance of a total of 18,390,000 post-split shares of Common Stock of the Company to the Town House shareholders. If the transaction is consummated, Town House will become a wholly-owned subsidiary of the Company, and the former shareholders of Town House will then hold approximately 92% of the outstanding shares of the Company, after issuance of all shares in connection with the transaction and the issuance of shares to consultants. For a description of the business of Town House, see "Information Concerning Town House," page 10.

### Outstanding Shares and Voting Rights

At August 4, 2004 , the Company had 3,598,000 pre-split shares of Common Stock, par value $0.001, outstanding. In connection with the Town House transaction (the "Acquisition"), the Company and holders of approximately 55.6% of the outstanding stock, have agreed to (a) amend the Articles of Incorporation of the Company to (i) change the Company's name to "Town House Holdings, Inc.," or such similar name as determined by the new Board of Directors; and (ii) increase the authorized capitalization from 20,000,000 shares to 50,000,000 shares of Common Stock, par value $0.001; (b) effect a one-for-three reverse stock split (the "Reverse Split") of the presently issued and outstanding shares of the Company's Common Stock; (c) approve the Company's 2004 Stock Incentive Plan; and (d) approve the appointment of Murrell, Hall, McIntosh & Co., PLLP, as the independent auditors of the Company for the fiscal year ending December 31, 2004.



Upon filing of the Amendment to the Articles of Incorporation with the Nevada Secretary of State, the name change will be effective. On such date, the Reverse Split is also expected to be effective, and each certificate representing shares of Common Stock outstanding immediately prior to the Reverse Split (the "Old Shares") will be deemed reversed automatically without any action on the part of the shareholders on a one-for-three basis, and will represent one-third the number of outstanding shares of Common Stock after the Reverse Split (the "New Shares"); provided, however that no fractional New Shares will be issued as a result of the Reverse Split. All fractional shares will be rounded to the next highest whole number.

The Reverse Split alone will reduce the number of outstanding shares of Common Stock to approximately 1,199,333 shares. After the issuance of a total of 18,390,000 shares to the Town House shareholders in the Acquisition, and the issuance of up to a total of 400,000 shares to an affiliate under a Consulting Agreement, there will be a total of 19,989,333 shares of Common Stock outstanding.

The Common Stock issued pursuant to the Reverse Split will be fully paid and nonassessable. The voting and other rights that presently characterize the Common Stock will not be altered by the Reverse Split.

Approval of the Name Change and Capitalization

The proposed change of the Company's name to "Town House Holdings, Inc.," or such similar name as determined by the Board of Directors, is intended to convey more clearly a sense of the Company's business after the acquisition of Town House. The proposed increase in capitalization of the Company from 20,000,000 to 50,000,000 shares of Common Stock, par value $0.001 is intended to provide the Company with additional authorized capital to seek future equity funding, and to enable the Company to make acquisitions using its Common Stock. Approval of the name change and increase in authorized capitalization requires the affirmative consent of at least a majority of the outstanding shares of Common Stock of the Company. Shareholders including officers and directors, holding a total of approximately 2,000,130 pre-split shares of Common Stock, representing approximately 55.6% of the outstanding shares of Common Stock, have already given such written consent.

At or shortly following the closing of the Acquisition (the "Closing"), it is anticipated that the designees of Town House will have been elected as members of the Board of Directors. Following such election, the current board members will have been replaced. It is also anticipated that the officers of Town House will be appointed as the new officers of the Company (see "MANAGEMENT").

Approval of the Reverse Split

Approval of the Reverse Split requires the affirmative consent of at least a majority of the outstanding shares of Common Stock. Shareholders holding a total of 2,000,130 pre-split shares of Common Stock, representing approximately 55.6% of the outstanding shares of Common Stock, have already given such consent.

Approval of the Company's 2004 Stock Incentive Plan

Approval of the Company's 2004 Stock Incentive Plan requires the affirmative consent of at least a majority of the outstanding shares of Common Stock. Shareholders holding a total of 2,000,130 pre-split shares of Common Stock, representing approximately 55.6% of the outstanding shares of Common Stock, have already given such consent.

Approval of Appointment of New Independent Auditors

Approval of the Company's appointment of Murrell, Hall, McIntosh & Co., PLLP, as the new independent auditors requires the affirmative consent of at least a majority of the outstanding shares of our Common Stock. Shareholders holding a total of 2,000,130 pre-split shares of Common Stock, representing approximately 55.6% of the outstanding shares of Common Stock, have already given such consent.

Record Date

The close of business August 18, 2004, has been fixed as the record date for the determination of shareholders entitled to receive this Information Statement.

Dissenters' Rights of Appraisal

Nevada Law does not provide any dissenters' rights with respect to the matters contemplated in this Information Statement. Therefore, no dissenter's rights of appraisal will be available in connection with these actions.

Expenses of Information Statement

The expenses of mailing this Information Statement will be borne by the Company, including expenses in connection with the preparation and mailing of this Information Statement and all documents that now accompany or may hereafter supplement it. It is contemplated that brokerage houses, custodians, nominees, and fiduciaries will be requested to forward the Information Statement to the beneficial owners of the Common Stock held of record by such persons and that the Company will reimburse them for their reasonable expenses incurred in connection therewith.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information concerning the ownership of Common Stock of the Company, after giving effect to the Reverse Split, and immediately before and after consummation of the Acquisition of Town House, with respect to: (a) shareholders who were known to the Company to be beneficial owners of more than 5% of the Common Stock as of August 4, 2004; (b) current officers and directors as a group; (c) shareholders who will own beneficially more than 5% of the Common Stock immediately after the Acquisition; and (d) the individuals who it is anticipated will be the officers and directors after the Acquisition.

Unless otherwise indicated, each beneficial owner has sole voting and investment power with respect to such shares of Common Stock.

| NAME AND ADDRESS | BEFORE ACQUISITION SHARES COMMON | % OF CLASS | AFTER ACQUISITION COMMON SHARES | % OF CLASS |
|---|---|---|---|---|
| Current Officers and Directors: | | | | |
| Jack M. Gertino (1)<br>10 West 100 South #610<br>Salt Lake City, Utah 84101 | 77,727 (2) | 6.41 | 477,727 (3) | 2.39 |
| Richard B. Stuart (1)<br>10 West 100 South, Suite 610<br>Salt Lake City, Utah 84101 | 81,727 (2) | 6.74 | 481,727 (3) | 2.41 |
| All Current Executive officers and Directors as a Group (2 persons) (2) | 159,454 (2) | 13.02 | 559,454 | 2.80 |
| Principal Shareholders: | | | | |
| The Harker Group Limited Partnership<br>1717 Monte Carlo Drive<br>Salt Lake City, Utah 84121 | 138,517 | 11.55 | 138,517 | * |
| Jack M. Gertino (1)<br>10 West 100 South #610<br>Salt Lake City, Utah 84101 | See above | | | |
| Richard B. Stuart (1)<br>10 West 100 South, Suite 610<br>Salt Lake City, Utah 84101 | See above | | | |
| Estate of Philip C. Gugel (4)<br>10 West 100 South, Suite 610<br>Salt Lake City, Utah 84101 | 66,667 | 5.27 | 66,667 | * |
| Town House Nominees: | | | | |
| Fang Zhong (5)<br>6/F 32 Jianhan Road<br>Wuhan, China | 0 | 0 | 15,447,600 | 77.28 |
| Lou Yun Fang (5)<br>6/F 32 Jianhan Road<br>Wuhan, China | 0 | 0 | 735,600 | 3.68 |
| Fang Wei Feng (5)<br>6/F 32 Jianhan Road | | | | |

| | | | | |
|---|---|---|---|---|
| Wuhan, China | 0 | 0 | 551,700 | 2.76 |



| | | | | |
|---|---|---|---|---|
| Fang Wei Jun (5)<br>6/F 32 Jianhan Road<br>Wuhan, China | 0 | 0 | 551,700 | 2.76 |
| Fang Hui (5)<br>6/F 32 Jianhan Road<br>Wuhan, China | 0 | 0 | 551,700 | 2.76 |
| Hu Min (5)<br>6/F 32 Jianhan Road<br>Wuhan, China | 0 | 0 | 551,700 | 2.76 |
| All Town House Nominees<br>as a Group (6 persons) | 0 | 0 | 18,390,000 | 92.00 |

*Less than one (1) percent

(1) Current Officers and Directors of the Company.

(2) Mr. Gertino and Dr. Stuart each hold options to purchase a total of 66,667 post-split shares at an exercise price of $0.5625 per share, exercisable at any time before March 10, 2009. Messrs. Gertino and Stuart have each agreed that the options to purchase all but 12,500 shares each, will be cancelled at Closing. These figures represent the percentage ownership of the named individuals assuming each of them alone has exercised his options for 12,500 shares, and the percentage ownership of all officers and directors as a group assuming all such options are exercised.

(3) Belair Consulting, LLC, an affiliate of Messrs. Gertino and Stuart, will receive up to 400,000 post-split shares in connection with a Consulting Agreement. These figures give effect to the issuance of these shares, and both Mr. Stuart and Mr. Gertino as members of Belair, may be deemed to be the beneficial owners of such shares. (See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS").

(4) Represents options held by the estate of Philip Gugel, a former officer and director who died in 2003, which are exercisable at any time prior to March 10, 2009.

(5) These individuals are the shareholders of Town House. It is anticipated that these individuals will be appointed as new members of the Board of Directors at or following Closing. (See "MANAGEMENT").

## SUMMARY OF TRANSACTIONS CONTEMPLATED BY THE EXCHANGE AGREEMENT

The Board of Directors of the Company has unanimously approved the Stock Exchange Agreement ("Exchange Agreement") dated January 19, 2004, and amended on April 9, 2004, and May 13, 2004, among the Company, Town House and the shareholders of Town House, which provides for or requires completion of the following series of transactions as conditions to consummation of the Acquisition:

- the issuance of a total of 18,390,000 post-split shares to the shareholders of Town House;



- the change of the Company's name to "Town House Holdings, Inc.," or such similar name as determined by the new Board of Directors;
- the increase in authorized capitalization from 20,000,000 shares to 50,000,000 shares of Common Stock, par value $0.001;
- the Reverse Split of the Common Stock of the Company on a one-for-three basis;
- the election of six new directors of the Company;
- the approval of the Company's 2004 Stock Incentive Plan;
- the approval of the appointment of Murrell, Hall, McIntosh & Co., PLLP, as the independent auditors of the Company for the fiscal year ending December 31, 2004; and
- the issuance of a total of 400,000 post-split shares of Common Stock to an affiliate of two principal shareholders under a Consulting Agreement.

A majority of the Company's shareholders have agreed by way of a majority consent of shareholders to the actions described above.

Reasons for Approval by Majority of Shareholders and Board of Directors

The Board of Directors has given careful consideration to the Acquisition, the existing business operations of Town House, the future business potential and plans of Town House, the current book value of the Common Stock of the Company, the interest of shareholders of the Company, and the risks of the Acquisition to the existing shareholders. Based on the foregoing considerations, the Board of Directors together with holders of a majority of outstanding shares believe that the transactions contemplated by the Exchange Agreement, including the Reverse Split and the name change, are fair and in the best interests of the Company. The holders of a majority of shares believe that the Company will benefit from the Acquisition, with an immediate impact being the significant new operations and revenues, assets, and shareholders' equity.

Accounting Treatment of the Acquisition

Upon Closing of the Acquisition, based upon management's consultation with the auditors for the Company, it appears that the proper accounting treatment is a so-called "reverse acquisition," whereby Town House will account for the transaction as a purchase of the Company. Town House is deemed to be the "acquirer" due to the shareholders of Town House ultimately controlling the reorganized company.

Summary of the Exchange Agreement

The following contains, among other things, a summary of the material features of the Exchange Agreement. This Summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the executed Exchange Agreement, as amended, which is attached hereto as Exhibit "A."

General Terms. The Company, Town House and certain shareholders of Town

House have entered into an Exchange Agreement which provides that subject to meeting of certain conditions, including the Reverse Split on a one-for-three basis of the Common Stock of the Company, the Company will issue to the Town House shareholders a total of 18,390,000 shares of Common Stock with restrictive legend for all of the shares of Town House's capital stock. After the Closing of the Acquisition, Town House will be a wholly-owned subsidiary of the



Company and the ownership of the Company will be controlled by the former shareholders of Town House.

The Company has entered into a Consulting Agreement with Belair Consulting, L.L.C. ("Belair"), an affiliate of Richard B. Stuart, President, director, and shareholder of the Company, and Jack Gertino, Secretary/Treasurer, director, and shareholder of the Company, under the terms of which it has agreed to issue a total of 400,000 post-split shares of restricted Common Stock, and pay up to $130,000 in cash for consulting services to be provided, over a period of two (2) years. (See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS").

Upon completion of the Acquisition, the ownership of the Common Stock by (i) the current shareholders of Town House, as a group, and (ii) the current Company shareholders, as a group, is estimated to be as follows:

| Groups of Shareholders | Common Stock | % Owned |
|---|---|---|
| Town House Shareholders | 18,390,000 | 92.00% |
| Company Shareholders | 1,199,333 | 6.00% |
| Belair | 400,000 | 2.00% |
| Total of All Shareholders | 19,989,333 | 100.00% |

Closing. Closing is scheduled to take place at such time as agreed by the parties but in any event may not occur earlier than 20 days following notice to shareholders under this Information Statement as prescribed by Section 14(c) of the Securities Exchange Act of 1934 (the "Act").

Conditions for Closing. The obligation of each of the parties to consummate the Acquisition is subject to the following conditions, among others:

- The change of the Company's name to "Town House Holdings, Inc.," or such similar name as determined by the new Board of Directors;
- The increase in the authorized capitalization from 20,000,000 shares to 50,000,000 shares of Common Stock, par value $0.001;
- The designees of Town House are elected as directors;
- The 2004 Stock Incentive Plan is approved;
- The Reverse Split is completed; and
- The new independent auditors are approved.

Termination; Waivers. The Acquisition may be terminated at any time prior to the Closing by mutual consent of the parties, or by either party if the conditions to the obligations of such party to consummate the Acquisition have not been satisfied, or waived. Each party may, by a written instrument, waive or extend the time for Closing or performance of any of the obligations of the other party pursuant to the Exchange Agreement.

Regulatory Approvals. No approvals by any governmental authority are required in order to complete the Acquisition. Within no less than fifteen (15) days after the date of Closing the Acquisition, the Company must file a Current Report on Form 8-K announcing the Closing of this transaction. Within no less than sixty (60) days of the final day to file the Current Report on Form 8-K, the Company must file an amendment to that report, providing financial statements for Town House, and pro forma consolidated financial statements.

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Certain Federal Income Tax Consequences

The Company has not sought an opinion as to the tax consequences of the Acquisition because the Acquisition will be treated for tax purposes as an acquisition of all of the stock of Town House in an exchange for shares of Common Stock of the Company. The Company believes that the Acquisition will constitute a tax-free reorganization under Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), and accordingly, the Company will not recognize any gain or loss on such exchange.

IRC sections 354 and 368 state that no gain or loss shall be recognized (by the corporations) if the acquiring corporation acquires the target's stock solely in exchange for its own voting stock and the acquiring corporation is in control of the target immediately after the acquisition. IRC section 368(c) defines control to represent 80% of the total combined voting power of all classes of stock. The acquisition of Town House as a wholly-owned subsidiary is considered to be a reverse acquisition in which the Company will acquire control of Town House. The shares issued by the Company to be distributed to Town House will be equivalent voting shares. The Exchange Agreement appears to satisfy these IRC sections.

In addition to the formal requirements of the IRC, the transaction must meet certain substantive non-statutory requirements developed through case law and IRS regulations. These non-statutory rules may change what is in form a reorganization into a taxable transaction. These two requirements are "Continuity of Interest" and "Continuity of Business Enterprise." Continuity of Interest requires that a substantial part of the value of the proprietary interest in the target must be preserved. Again the Exchange Agreement appears to satisfy this requirement. Continuity of Business Enterprise requires the acquiring corporation to continue to use the target's historic business or a significant portion of the target's historic business assets in the business. The Company will preserve Town House's business and continue to use Town House's assets in the wholly-owned Company subsidiary.

In addition to these considerations, the Company expects that its ability to utilize on an annual basis its net operating loss carry-forward ("NOL") will be eliminated entirely by the Acquisition. This is due to the fact that the Company will not be considered during the two-year periods following the Acquisition, to have continued the Company's historic business or to have used a significant portion of the Company's assets.

INFORMATION CONCERNING TOWN HOUSE

Business of Town House

The principal business operations of Town House are conducted by and through its 97% owned subsidiary, Wuhan Pacific Real Estate Development Company Limited ("Wuhan Pacific").

Wuhan Pacific is one of the first privately owned property developers in

Wuhan City and is one of the largest property developers in Wuhan City, based on a list of top 100 property development enterprises in Wuhan City in terms of Gross Floor Area ("GFA") sold in 2002 published by the Wuhan Statistics Bureau. It engages principally in the development and sale of high quality commercial and private residential properties catering to the mass residential property market in Wuhan City.



Wuhan Pacific's portfolio of properties under development are currently all located in Wuhan City and target different segments within the mass residential property market, including young white collar employees, middle to senior managers in enterprises, entrepreneurs and families with young children. These upwardly mobile people represent the emerging middle class in Wuhan City and are a growing source of demand in the mass residential property market.

As of December 31, 2003, Wuhan Pacific reports that it has equity interests in six property development projects in Wuhan City, with an approximate GFA of 200,000 square meters and an aggregate site area of approximately 100,566 square meters. Wuhan Pacific has obtained land use rights certificates in respect of each of these six property development projects. In addition, Wuhan Pacific has not yet obtained land use rights certificates in respect of, but has interest in and plans to develop a further five projects in Wuhan City with an approximate GFA of 252,000 square meters and an aggregate site area of approximately 70,000 square meters. Since the relevant land use rights certificates have not yet been issued or obtained, no commercial value has been assigned to any of these five additional projects or in the calculation of its adjusted net tangible asset value.

In 2001, Wuhan Pacific was ranked as the top private property developer in Wuhan City, and ninth amongst all property developers in Wuhan City, in terms of total GFA of all properties sold, according to the list of top 100 property development enterprises in Wuhan City in terms of FGA sold in 2001 published by the Wuhan Statistics Bureau.

Wuhan Pacific aims to further solidify its position in Wuhan City, and plans to also expand its focus on property business in Shanghai. Wuhan Pacific also indicates that it will pursue quality business opportunities in other fast growing cities in China such as Yi Chang, if market conditions are appropriate.

Town House Land Limited

Town House Land Limited ("Town House") is a limited liability company organized in 2003 in the Hong Kong Special Administrative Region in the PRC, as a holding company.

Town House owns 97% of Wuhan Pacific which was organized in Hubei Province in the PRC as a limited liability company in 1995. Substantially all of the assets and operations of Town House in the PRC are conducted through Wuhan Pacific.

Wuhan Pacific Real Estate Development Company Limited

Wuhan Pacific was organized as a limited liability company in The People's Republic of China ("PRC") on December 18, 1995. The primary purpose of Wuhan Pacific was real estate development including apartments, retail and commercial facilities, and mixed use buildings. The principal executive office of Wuhan Pacific is located at No. 250 Jianghan Road, 32 Diamond

Mansion, Jiang'an District, Wuhan City, Hubei Province in the PRC.

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Property Development

Wuhan Pacific is principally engaged in the design and construction of luxury apartment buildings and mixed use buildings in the City of Wuhan in the PRC. The apartments are primarily held for sale to middle income to upper level income customers. Certain properties developed by Wuhan Pacific are mixed-use properties that also include retail and commercial floors on the lower levels of the buildings.

Information Concerning Wuhan City

Wuhan City, located in inland China, has played an important role of connecting the east with the west, the south with the north in the PRC. Wuhan City, with an urban population of approximately 4 million, ranks as the sixth city among the top 25 cities in the PRC with favorable development potential. In 2001, the GDP of the city reached 134.8 billion Yuan (US$0.12 per one Yuan), or 12% higher than 2000; and the annual income of citizens of Wuhan City was 7,304 Yuan, or an increase of 8% over 2000.

Located at the middle reaches of the Yangtze River, Wuhan is a thoroughfare to nine provinces in the PRC. The Beijing-Guangzhou Railway and the Yangtze River intersect in Wuhan City. The Beijing-Kowloon Railway and Wuhan-Guangzhou Railway also connect in the city. The Beijing-Zhuhai and Shanghai-Chengdu super highway also cross at Wuhan City. In addition, a high-speed railway along the Yangtze River is in the process of being constructed. These high-speed road, railway and river transportation methods make Wuhan a transportation hub.

Wuhan is the largest logistics and commercial enter in inland China. Commodities can easily be transported to 5 provinces around Wuhan, such as Hunan, Jiangxi, Anhui, Henan and Sichuan, which have a combined population of nearly 400 million. There are presently more than 10,000 commercial organizations, 105,000 business branches, and 8 department stores in Wuhan City.

As an important industrial base in China, Wuhan City has a very solid foundation in either high-tech industry or traditional manufacturing. Along the 88 kilometer ring of the city, a series of industrial zones have been established, such as China Optical Valley, Sino-Citroen Automobile City, Taiwan Business Zone and Yangluo Development Zone. With 33 different sectors and more than 30,000 industrial enterprises, Wuhan City has businesses encompassing all industries, including iron and steel, automobile, machinery, petrochemical, optical telecom, Chinese and western medicine, biology engineering, textile, garment, food industry, etc.

Wuhan City is a technology research and education center, with its research and education capacity ranked third in the country, behind Beijing and Shanghai. There are 35 universities in the city, serving approximately 300,000 students. There are 736 science research institutes and 10 national labs in Wuhan City.

In recent years, Wuhan Municipal Government has focused on policies favoring an open business environment and environmental renovation, and the investment environment of Wuhan City has been continuously improved. A series of important infrastructure projects have been finished, such as Wuhan International Airport, Airport Super Highway, No. 1 Yangtze River Bridge, No.

3 Yangtze River Bridge, an extensive telephone system, a water plant, a power plant and a waste water treatment plant.



Market

The principal market of Town House for its real estate development activities has been in the City of Wuhan in the PRC.

The City of Wuhan is an ancient city and is the capital of Hubei Province in central China. Wuhan is the sixth largest city in the PRC with a population of approximately 8,000,000. Wuhan is an important transportation center on the Jianhan Plain, sitting at the confluence of the Yangtze River, the Hanjiang River, and its longest branch - the Hansui River. The City of Wuhan is comprised of three cities: Hanyang, Wuchang and Hankou.

Because of the significant economic growth and development of central China, the City of Wuhan has experienced increasing demand for luxury residential properties and for retail and commercial space. The concept of mixed use buildings with retail and commercial space on the street level and the lowest floors with luxury apartment units on the higher floors has become increasingly popular in the PRC. As a result, recent building activity of Town House has been designed with the mixed use concept as principal objective.

Town House is in competition with other real estate development companies in the City of Wuhan, some of which are larger and have greater financial resources than Town House.

Project Financing

The real estate projects of Wuhan Pacific have been financed primarily by secured bank loans and by loans from Mr. Fang Zhong, the largest stockholder, a director, Chief Executive Officer and President of Town House.

To facilitate the sale of its apartments, Town House has entered into corporate guarantees to secure mortgage loans to its property buyers.

Property Development Activities

General. During the three year period ended December 31, 2003, Wuhan Pacific has designed, constructed and developed the following residential apartment and retail/commercial properties in the City of Wuhan in the PRC:

| Name | Property Type | Area in Square Feet |
|---|---|---|
| 1. Gutian Apartments | Residential apartments | 130,508 sq. ft. (5 floors- 112 units) |
| 2. Garden of Eden Apartments | Residential apartments | 185,997 sq. ft. (6 floors- 138 units) |
| 3. General Gardens | | |

| | | |
|---|---|---|
| Phase I | Residential apartments | 652,476 sq. ft. (8 floors- 936 units) |
| Phase II | Residential apartments | 580,534 sq. ft. (8 floors- 667 units) |
| 4. Diamond Mansion | | |
| Phase I | Residential apartments | 186,502 sq. ft. (6-17th floors) |
| | Retail and commercial | 72,890 sq. ft. (basement-5th floors) |



1. Gutian Apartments. The Gutian Apartments consists of 112 apartment units ranging from 1,435 square feet to 2,037 square feet. The Gutian Apartments are located close to a retail and commercial area in the City of Wuhan

2. The Garden of Eden. The Garden of Eden apartment complex is composed of three apartment buildings that have 138 apartment units ranging from 1,245 square feet to 2,408 square feet. The Garden of Eden has a European style, and is conveniently located near a retail and commercial area also located in the City of Wuhan.

3. General Gardens - Phase I. The General Gardens-Phase I consists of buildings that have 936 apartment units ranging from 514 square feet to 1,170 square feet.

General Gardens - Phase II. The General Gardens - Phase II is composed of apartment buildings that have 667 apartment units ranging from 595 square feet to 1,887 square feet.

4. Diamond Mansion - Phase I. The Diamond Mansion - Phase I is an 18 story building located on a significant retail and commercial thoroughfare which is blocked from vehicle traffic. The first five floors have been sold for retail and commercial operations. The sixth through seventeenth floors are comprised of residential apartments, of which approximately 66% have been sold. The basement and the 18th floor is presently used for storage but are held for sale.

Construction-in-Progress

Sanyang Apartments. During 2003, Wuhan Pacific acquired land use rights to a 153,000 square foot property situated on Sanyang Road in an upscale area of Hankou in the City of Wuhan for $1,539,855. Construction of a combined commercial and residential apartment complex is to be called the Sanyang Apartments began during 2003.

Jing Qi. The Jing Qi project is a combined commercial residential apartment complex which is expected to commence construction during 2004.

Construction has been temporarily halted on this project until the City of Wuhan completes its construction of a road to the complex which is being paid for by the City of Wuhan.

Diamond Mansion - Phase II. The Diamond Mansion - Phase II project has commenced construction. It is a combined retail/commercial and residential apartment building adjacent to Diamond Mansion - Phase I which has been previously completed.

Ownership of Land

There is no private ownership of land in the PRC, and all land ownership is held by the government of the PRC, its agencies and collectives.

However, land use rights can be obtained from the government for periods ranging from 40 to 70 years, and are typically renewable. Land use rights can be transferred and these transfers account for most of the business activity in the primary real estate market in the PRC upon approval by the land administrative authorities of the PRC (State Land Administration Bureau) upon payment of the required land transfer fees.



Properties may under certain circumstances be sold in advance of the completion of the actual full development of a property. Apartments can be purchased by customers by payment-in-full, payment by installment, or payment by mortgaged property loans.

Government Regulation

Wuhan Pacific's projects are subject to various laws and governmental regulations, such as zoning regulations, relating to its business operations and project developments. It must obtain and keep current various licenses, permits and regulatory approvals for its development projects. Wuhan Pacific believes that its is in compliance with all laws, rules and regulations applicable to its projects and that such laws, rules and regulations do not currently have a material impact on its operations. Due to the increasing levels of development in the areas of China where it currently operates, it is possible that new laws, rules and/or regulations may be adopted that could affect Wuhan Pacific's projects or proposed projects. The enactment of such laws, rules or regulations in the future could have a negative impact on its projected growth or profitability, which could decrease its projected revenues or increase its costs of doing business.

Employees

As of December 31, 2003, Town House and Wuhan Pacific had approximately 150 employees. No employee group is covered under a collective bargaining agreement. Town House and Wuhan Pacific believes its relationship with its employees is good.

Legal Proceedings

Town House and its subsidiaries are not a party to, nor are any of our respective properties the subject of, any material pending legal or arbitration proceedings.

Risk Factors

The business of Town House is subject to a number of risk factors, described below.

Change in Political and Economic Conditions

Since Town House's main country of business operations is the PRC, Town House's business operations and financial position are subject, to a significant degree, to the economic, political and legal developments in the PRC.

The PRC government started implementing its economic reform policy in 1978, which has enabled the PRC economy to gradually transform from a "planned economy" to a "socialist market economy." In 1993, the concept of the socialist market economy was introduced into the Constitution of the PRC, and the country has since accelerated development of a market economy. A noteworthy phenomenon in the recent development of the PRC economy is that non-state owned enterprises such as private enterprises play an increasingly important role in the PRC economy and the degree of direct control by the PRC government over the economy is gradually declining.



The PRC government has been taking macro-economic austerity measures to suppress inflation and curb the pace of economic growth since July 1993. These measures include raising interest rates, tightening credit supply, delaying implementation of certain reform policies on pricing, enhancing financial supervision as well as tightening control on the granting of approval for property and infrastructure projects. However, since 1998, there has been deflation in the PRC economy and the current economic policies of the PRC mainly focus on stimulating consumption and expansion of domestic demand.

While the PRC government has not stopped its economic reform policy since 1978, any significant adverse changes in the social, political and economic conditions of the PRC, may have fundamental changes in the PRC economic reform policies and thus Town House's operations and profits may be adversely affected.

Change in Tax Laws and Regulations in the PRC

Various tax reform policies have been implemented in the PRC in recent years. Interpretation of certain tax policies is still awaiting guidance from the PRC government. Moreover, there can be no assurance that the existing tax laws and regulations will not be revised or amended in the future.

Change in PRC Legal System

The PRC legal system is based on statutory law. Unlike the common law system, statutory law is based on written statutes. Prior court decisions may be cited as persuasive authority but do not have binding effect. Since 1979, the PRC government has been promulgating and amending the laws and regulations regarding economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the PRC legal system is still not as fully developed as those western countries with a common law legal system.

Changes in Currency Conversion Policies in the PRC

Renminbi (Yuan) is not a freely exchangeable currency. Since 1998, the State Administration of Foreign Exchange of China has promulgated a series of circulars and rules in order to further enhance the verification of the truthfulness of foreign exchange payments under the current account items of a PRC enterprise and has imposed strict requirements in respect of borrowings and repayments of foreign exchange debts from and to foreign creditors under the capital account items and creation of foreign security in favor of foreign creditors.

This may cause complicated procedures in foreign exchange payments to foreign creditors under the current account items and thus will affect the restrictions on borrowing of international commercial loans, creation of foreign security and borrowing of Renminbi loans under guarantees in foreign currencies. (The majority of the income from the Town House entities is in Renminbi). Furthermore, the value of Renminbi (Yuan) may become subject to supply and demand, which could be largely affected by the international economic and political environment and any fluctuations in the exchange rate of Renminbi could have an adverse effect on the operational and financial condition of Town House entities.



FINANCIAL INFORMATION CONCERNING TOWN HOUSE

Included in this Information Statement, beginning with page F-1, are the audited consolidated financial statements of Town House and its subsidiary, Wuhan Pacific, for the two fiscal years ended December 31, 2003 and 2002, together with the report of Murrell, Hall, McIntosh & Co., PLLP, independent auditors, and the unaudited condensed consolidated financial statements of Town House for the six months ended June 30, 2004 and June 30, 2003.

Forward-Looking Statements

The foregoing discussion of Town House and Wuhan Pacific, and the financial statements of Town House included in this Information Statement, contain "forward-looking statements," within the meaning of Section 27A of the Securities Act. All statements, other than statements of historical fact, included in the business discussion or the financial statements that address activities, events or developments that Town House expects, projects, believes, or anticipates will or may occur in the future, including matters having to do with expected and future property sales, Town House's ability to fund its operations and repay debt, business strategies, expansion and growth of operations and other such matters, are forward looking statements. These statements are based on certain assumptions and analyses made by Town House management in light of its experience and its perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by Town House, Town House's performance on its current projects and its success in obtaining new projects, Town House's ability to attract and retain qualified employees, and other factors, many of which are beyond Town House's control. You are cautioned that these forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such statements.

Discussion and Analysis of Town House Management
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Business Overview

Town House Land Limited (formerly: Hong Kong Window of the World Apparel Co., Limited) was incorporated in Hong Kong, as a private limited liability company on August 13, 2001 with an authorized capital of $64,103 (HK$500,000) divided into 500,000 ordinary shares of par value $0.12 (HK$1.00) each. Town House Land Limited ("Town House") changed to its present name on August 13, 2003. On August 15, 2003, Town House acquired 97% of the outstanding registered capital of Wuhan Pacific Real Estate Development Company Limited ("Wuhan Pacific"). Terms of the transaction call for Town House to pay $1,602,564 in cash plus the contribution of an additional $5,857,488 in share capital in Town House as consideration for the acquisition of the 97% interest in Wuhan Pacific's registered capital. For financial reporting purposes, Wuhan

Pacific was considered to be the acquiring entity and the additional cash consideration paid was treated as a distribution to members.

Wuhan Pacific Real Estate Development Company Limited ("Wuhan Pacific") was registered as a formal third level property company in Hubei Province, in the People's Republic of China as a limited liability company on December 18, 1995 with a registered capital of $1,207,729 (Rmb.10,000,000) and a defined period of existence of 14 years to December 18, 2009. Subsequent recapitalizations during 2000 increased Wuhan Pacific's registered capital to



$6,038,647 and changed is classification to a second level property company. On August 15, 2003, Wuhan Pacific entered into a reverse merger agreement with Town House Land Limited. At June 30, 2004 Town House held 97% of the registered capital of Wuhan Pacific. Collectively hereinafter, Town House and Wuhan Pacific are referred to as "Town House".

On October 10, 2003 Wuhan City Foreign Investment Bureau approved the registration of Town House as a Sino Foreign Joint Investment Enterprise with a defined period of existence of 20 years to October 27, 2023.

Town House's principal activity is the development and sale of commercial and residential real estate. Town House's principal country of operations is in The People's Republic of China ("PRC").

The following table reflects Town House's 2003 inventory sold as well as inventory remaining at December 31, 2003.

| | Sales in 2003 | | | | Property Held For Sale at December 31, 2003 | |
|---|---|---|---|---|---|---|
| | Sq. Meters Available @ 12/31/02 | Sq. Meters Sold | Sales Price | Cost Plus Allocable Sales Tax | Sq. Meters Available @ 12/31/03 | Cost |
| PROPERTY | | | | | | |
| Garden of Eden | 9,270 | 5,390 | $ 842,173 | $ 278,456 | 3,880 | $ 183,394 |
| General Garden Phase I | 11,944 | 225 | 25,795 | 23,833 | 11,719 | 1,202,087 |
| General Garden Phase II | 9,843 | 375 | 57,922 | 31,597 | 9,468 | 757,189 |
| Diamond Mansion (7F to 17F) | 7,045 | 2,042 | 762,320 | 560,108 | 5,003 | 1,208,639 |
| Diamond Mansion - Floors 1-5 | 5,746 | 2,372 | 7,392,491 | 4,226,442 | 3,375 | 4,382,506 |
| Gutian Apartment | 8,285 | - | - | - | 8,285 | 608,669 |
| Sanyang Apartments | - | - | - | - | - | - |
| | 52,133 | 10,404 | $9,080,701 | $5,120,435 | 41,730 | $8,352,484 |

The following table reflects Town House's 2002 inventory sold as well as inventory remaining at December 31, 2002.

| | Sales in 2002 | | | | Property Held For Sale at December 31, 2002 | |
|---|---|---|---|---|---|---|
| | Sq. Meters Available @ 12/31/01 | Sq. Meters Sold | Sales Price | Cost Plus Allocable Sales Tax | Sq. Meters Available @ 12/31/02 | Cost |
| Garden of Eden | 15,370 | 6,100 | $ 965,258 | $ 309,264 | 9,270 | $ 428,887 |
| General Garden Phase I | 32,234 | 20,290 | 2,199,114 | 2,102,570 | 11,944 | 1,221,209 |
| General Garden Phase II | 21,105 | 11,262 | 1,600,167 | 963,778 | 9,843 | 773,736 |
| Diamond Mansion (7F to 17F) | 9,673 | 2,628 | 997,626 | 662,718 | 7,045 | 1,701,841 |
| Diamond Mansion Floors 1-5 | 3,677 | - | - | - | 3,677 | 6,062,357 |
| Gutian Apartment | 12,129 | 3,844 | 612,906 | 197,599 | 8,285 | 556,358 |
| Sanyang Apartments | - | - | - | - | - | - |
| | 94,188 | 44,124 | $ 6,375,071 | $4,235,929 | 50,064 | $10,744,388 |

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The following table reflects Town House's inventory sold for the six months ended June 30, 2004, and June 30, 2003:

Sales in the six months ended June 30, 2004

| Diamond Mansion | Sq Meters Sold | Sales | Cost Plus Allocable Sales Tax |
|---|---|---|---|
| First floor | 101.29 | $ 541,694 | $ 126,596 |
| Second floor | 359.33 | 971,645 | 399,634 |
| Third floor | 137.43 | 413,050 | 155,003 |
| Fourth floor | 375.72 | 674,146 | 395,998 |
| Fifth floor | 865.63 | 1,557,152 | 921,924 |
| | 1,839.40 | $ 4,157,687 | $ 1,999,155 |

Sales in the six months ended June 30, 2003

| Property | Sq Meters Sold | Sales | Cost Plus Allocable Sales Tax |
|---|---|---|---|
| General Garden Phase 1 | 225.27 | $ 25,795 | $ 24,619 |
| General Garden Phase 2 | 374.75 | 57,922 | 33,363 |

| | | | |
|---|---|---|---|
| Garden of Eden | 5,294.33 | 825,173 | 298,600 |
| Diamond Mansion (7F-17F) | 2,041.63 | 762,320 | 537,856 |
| | 7,935.98 | $ 1,671,210 | $ 894,438 |

Critical Accounting Estimates and Accounting Policies

Town House must make estimates of the collectability of accounts receivable. Town House analyzes historical write-offs, changes in its internal credit policies and customer concentrations when evaluating the adequacy of its allowance for doubtful accounts. Differences may result in the amount and timing of expenses for any period if Town House makes different judgments or uses difference estimates.

Inventories are valued at the lower of cost or net realizable value. Town House must periodically evaluate the carrying value of its inventories to determine whether market conditions have impaired the carrying value of its inventories.

Property and equipment are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, Town House must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the carrying amount is less than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset. Management assumed Town House was a going concern for purposes of evaluating the possible impairment of its property and equipment. Should Town House not be able to continue as a going concern, there may be significant impairment in the value of Town House's property and equipment.



As part of the process of preparing our consolidated financial statements, Town House management is required to estimate its income taxes. This process involves estimating current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Town House must then assess the likelihood that its deferred tax assets will be recovered from future taxable income, and, to the extent it believes that recovery is not likely, it must establish a valuation allowance. To the extent that it establishes a valuation allowance or increases this allowance in a period, it must include a tax provision or reduce its tax benefit in the statements of operations. Town House uses its judgment to determine a provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against Town House's net deferred tax assets.

Town House cannot predict what future laws and regulations might be passed that could have a material effect on its results of operations. Town House assesses the impact of significant changes in laws and regulations on a regular basis and updates the assumptions and estimates used to prepare its financial statements when management deems it necessary.

Town House has determined the significant principles by considering accounting policies that involve the most complex or subjective decisions or assessments.

Results from Operations - Comparison of Years Ended December 31, 2003 and 2002

Revenues increased 42% in 2003 to $9,080,701 from $6,375,071 in 2002, resulting in net income of $2,577,838 for 2003 compared to net income of $1,068,914 in 2002. This was mainly attributable to sales associated with the Window of the World Shopping Mall (Diamond Mansion Phase 1 - commercial properties) in addition to the normal residential projects.

Floors one through five are commercial shopping space which differs from what we referred to as normal residential properties which up to that point had all been residential apartments. As disclosed in the table included in the business overview, sales from floors one though five of the Diamond Mansion Phase I for 2003 were $7,329,491 versus no commercial property sales in 2002. During 2003, advances from buyers decreased by $1,116,625 from $1,845,016 at December 31, 2002 to $728,391 in 2003. This decrease represents sales finalized in 2003 and accounts for 17.5% of increase in 2003 sales over 2002.

Cost of sales increased by 21% to $5,120,435 in 2003 as compared to $4,232,929 for 2002. This increase was primarily due to a 42% increase in sales. This increase in cost of sales is offset in part by a 10% increase in gross profit margins from 33% in 2002 to 43% in 2003. Gross profit margin increased by 10% during 2003 due primarily to the following factors:

1. During 2002, Town House had $3,799,281 in sales generated from the General Garden project in which it generated only a 22% gross profit margin. During 2003, the Company had sales of only $83,717 on which it generated a gross profit margin of 33%.

2. During 2003, Town House had $7,392,491 in sales from the Diamond Mansion commercial properties on which it generated a 42.8% gross profit margin. There were no sales of the Diamond Mansion commercial properties in 2002.

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General and administrative expenses increased by $128,454 or 75% from $172,397 in 2002 to $300,851 in 2003. The increase was due primarily to increases in consulting fees and salaries to administrative staff. Included in consulting expenses were fees paid to legal counsel, development planning fees and accounting fees. Salaries increased by $14,344 or 55% to $40,312 in 2003 as compared to $25,968 in 2002.

Selling expense increased by $400,015 or 1,026% from $38,991 in 2002 to $439,006 in 2003. This increase was due to $312,521 in advertising incurred in 2003 compared to none incurred in 2002.

Interest expense increased by 7% to $326,849 in 2003 from $304,580 in 2002 was primarily due to increased activities in short-term borrowings.

Results from Operations - Comparison of the Six Months Ended June 30, 2004 and 2003

Revenues increased 149% in six months ended June 30, 2004 to $4,157,687 from 1,671,210 in six months ended June 30, 2004, resulting in net income of 1,243,341 for the first half year of 2004 compared to net income of $224,652 for the same period of 2003. This was mainly attributable to sales associated with the Diamond Mansion floor one through five.

Floors one through five are commercial shopping space which differs from what Town House referred to as normal residential properties which up to that point had all been residential apartments. As disclosed in the table included in the business overview, sales from floors one though five of the Diamond Mansion Phase I for the six months ended 2004 were $4,157,687 versus no commercial property sales in the same period of 2003.

Cost of sales increased by 124% to $1,999,155 in the six months ended June 30, 2004 as compared to $894,438 for the same period ended June 30, 2003. This increase was primarily due to a 149% increase in sales. This increase in cost of sales is offset in part by a 6% increase in gross profit margins from 46% in six months ended June 30, 2003 to 52% in six months ended June 30, 2004.

General and administrative expenses increased by $208,396 or 195% from $106,808 in six months ended 2003 to $315,204 in the same period 2004. The increase was due primarily to increases in consulting fees and salaries to administrative staff. Included in consulting expenses were fees paid to legal counsel, development planning fees and accounting fees.

Selling expense increased by $273,065 or 1,088% from $25,082 in six months ended 2003 to $298,147 in six months ended 2004. This increase was due to increased expenditures in advertising incurred in 2004.

Interest expense decrease by 91% to $18,275 in six months ended June 30, 2004 from $195,332 in the same period in 2003. This decrease was primarily due to decreased activities in the short-term borrowings.

Income Taxes

Provision for the People's Republic of China enterprise income tax ("EIT") is calculated at the prevailing rate based on the estimated assessable profits less available tax relief for



losses carried forward. For the years ended December 31, 2003 and 2004, Town House has been granted the privilege of computing EIT based on 6% of sales revenues at the prevailing tax rate of 33%. EIT is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expense items, which are not assessable or deductible for income tax purposes.

A reconciliation of EIT tax at the statutory rate to Town House's effective rate is as follows:

| | 2003 | 2002 |
|---|---|---|
| Computed at the Statutory Rate | $ 936,527 | $ 519,077 |
| Tax effect of special tax rate granted during 2003 | (756,729) | - |
| Tax effect tax of minor timing differences and credits | - | (48,079) |
| Tax at effective rate | $ 179,798 | $ 470,998 |

As of June 30, 2004, provision for the People's Republic of China enterprise income tax ("EIT") is calculated at the prevailing income tax rate of 33% based on 5% of the sales revenues generated.

As of June 30, 2003, provision for the People's Republic of China enterprise income tax ("EIT") is calculated at the prevailing income tax rate of 33%.

Liquidity and Capital Resources

Cash provided by operations totaled $3,802,017 for 2003 compared to cash used in operations of $640,752 in 2002. The Company experienced positive cash flows from operations during 2003 due primarily to an increase in sales revenues for 2003. Sales revenues were $9,080,701 in 2003 compared to $6,375,071 in 2002.

Town House anticipates that it will have adequate working capital in the foreseeable future. However, Town House may wish to borrow additional amounts in order to expand and grow its operations.

Cash provided by operations totaled $1,907,950 for the six months ended June 30, 2004 compared to cash used in operations of $5,116,192 in the same period of 2003. The Company experienced positive cash flows from operations during the first half year 2004, which is due primarily to an increase in sales revenues for the period. Sale revenues were $4,157,687 in six months ended June 30, 2004 compared to $1,671,210 in 2003.

Contractual Obligations

The following table is a summary of the Company's contractual obligations as of December 31, 2003.



| | Total | Less Than One Year | 1 - 3 Years | Thereafter |
|---|---|---|---|---|
| Due to Directors | $2,709,075 | $2,709,075 | $ - | $ - |
| Enterprise Taxes Payable | 1,006,201 | 1,006,201 | - | - |
| Other Tax Payable | 400,441 | 400,441 | - | - |
| Short-Term Loans | 791,063 | 791,063 | - | - |
| Long Term Debt | 3,159,887 | 2,253,201 | 153,373 | 675,689 |
| Total | $8,066,667 | $7,159,981 | $ 153,373 | $ 675,689 |

The following table is a summary of Town House's contractual obligations as of June 30, 2004:

| | Total | Less than one year | 1-3 years | Thereafter |
|---|---|---|---|---|
| Amounts due to directors | $2,680,550 | $2,680,550 | $ - | $ - |
| Deferred income taxed payable | 1,226,530 | 1,226,530 | - | - |
| Other tax payable | 464,975 | 464,975 | - | - |
| Short-term loans | 362,319 | 362,319 | - | - |
| Long-term loans | 2,972,744 | 2,078,161 | 27,610 | 866,973 |
| Total | $7,707,118 | $6,812,535 | $ 27,610 | $ 866,973 |

The following table is a summary of Town House's contractual obligations as of June 30, 2003:

| | Total | Less than one year | 1-3 years | Thereafter |
|---|---|---|---|---|
| Amounts due to directors | $1,784,483 | $1,784,483 | $ - | $ - |
| Deferred income taxed payable | 940,476 | 940,476 | - | - |
| Other tax payable | 220,261 | 220,261 | - | - |
| Short-term loans | 2,415,459 | 2,415,459 | - | - |
| Long-term loans | 3,204,403 | 58,454 | 2,177,903 | 968,046 |
| Total | $8,565,082 | $5,419,133 | $2,177,903 | $ 968,046 |

AMENDMENT TO ARTICLES OF INCORPORATION

The proposed amendment to the Company's Articles of Incorporation will cause the Company to change the name of the Company to "Town House Holdings, Inc.," or such similar name as determined by the new Board of Directors, and will increase its authorized capitalization from 20,000,000 shares, to 50,000,000 shares of Common Stock. Upon filing of the Amendment to the Articles with the Nevada Secretary of State, the name change will be effective.



Following the Closing of the Acquisition, the operations of Town House will become the principal operations of the Company. Due to the Company's new business direction following the Acquisition, management wishes to more properly reflect its business activities, by changing the Company's name to "Town House Holdings, Inc.," or such similar name as decided by the Board of Directors. Management does not believe that the name change will have any material effect on the Company's operations.

The Company currently has only 20,000,000 shares authorized, and will have a total of 19,989,333 shares outstanding following the transaction. Therefore, the Company will not have sufficient authorized but unissued shares to raise any equity capital, to make any acquisitions, or to engage in any other financing involving the shares of Common Stock of the Company. Accordingly, the parties to the Exchange Agreement have determined it is in the best interest of the Company to increase its authorized capitalization to 50,000,000 shares to provide the Company with sufficient authorized but unissued shares for future equity financings, possible acquisitions, and other transactions requiring the issuance of Common Stock.

The Nevada Revised Statutes (the "Nevada Law") requires the approval of shareholders who hold at least a majority of the voting power present at a meeting at which a quorum is present to amend the Company's Articles of Incorporation to change its name and to increase its authorized capitalization of shares of Common Stock. Nevada Law also permits actions that would otherwise require a vote at a meeting of shareholders to be taken by written consent of the holders of at least the number of shares that would be necessary to authorize such actions at a meeting.

Shareholders who own approximately 55.6% of the issued and outstanding voting securities of the Company, including officers and directors, have consented to amend the Company's Articles of Incorporation to change its name to "Town House Holdings, Inc.," or such similar name as decided by the Board of Directors and to increase its authorized capitalization of Common Stock.

PROPOSED REVERSE STOCK SPLIT

As a result of the Reverse Split, each three shares of Common Stock outstanding at the effective time of the Reverse Split, will, without any action on the part of the holder thereof, become one share of Common Stock. For purposes of this description, the Common Stock, as presently constituted, is referred to as the "Old Common Stock" and the Common Stock resulting from the Reverse Split is referred to as the "New Common Stock." The closing bid price of the Company's Old Common Stock on August 12, 2004, was $0.23.

Principal Effects of the Reverse Split

The principal effects of the Reverse Split will be as follows:

Based upon the 3,598,000 shares of Old Common Stock outstanding on the Record Date, the Reverse Split would decrease the outstanding shares of Old Common Stock to 1,199,333 shares. The Reverse Split will not decrease the authorized number of shares of Common Stock, or change the par value per share ($0.001) of Common Stock. Upon the effectiveness of the Reverse Split, and the completion of the Acquisition, approximately 19,989,333 shares of New Common Stock would be outstanding, including the 18,390,000 shares issued to the Town House shareholders.



The Company will obtain a new CUSIP number for the New Common Stock at the time of the Reverse Split. Following the effectiveness of the Reverse Split, each three shares of Old Common Stock, without any action on the part of the holder, will represent one share of New Common Stock.

Subject to minor differences resulting from the rounding up of fractional shares, as described below, consummation of the Reverse Split will not result in a material change in the relative equity position or voting power of the holders of Old Common Stock.

The Amendment of the Company's Articles of Incorporation will be filed with the Nevada Secretary of State, twenty days after the mailing of this Information Statement. The Reverse Split is also expected to become effective at approximately the date of such filing (the "Effective Date").

Purposes of the Reverse Stock Split

The Reverse Split was a negotiated provision of the Exchange Agreement. The Reverse Split will decrease the number of shares of Old Common Stock outstanding and presumably increase the per share market price for the New Common Stock. Theoretically, the number of shares outstanding should not, by itself, affect the marketability of the stock, the type of investor who acquires it, or the Company's reputation in the financial community.

Many leading brokerage firms are reluctant to recommend lower-priced securities to their clients and a variety of brokerage house policies and practices currently tend to discourage individual brokers within firms from dealing in lower-priced stocks. Some of those policies and practices pertain to the payment of brokers' commissions and to time-consuming procedures that make the handling of lower priced stocks unattractive to brokers from an economic standpoint. In addition, the structure of trading commissions also tends to have an adverse impact upon holders of lower priced stocks because the brokerage commission on a sale of a lower priced stock generally represents a higher percentage of the sales price than the commission on a relatively higher priced issue.

In addition, in the absence of the Reverse Split, there are not a sufficient number of authorized but unissued shares of Common Stock to consummate the Acquisition. The Board of Directors believes that the Reverse Split and Acquisition is in the best interest of the Company and its shareholders because the Acquisition will provide shareholders with an operating business with the potential for growth. The Reverse Split is required to consummate the Acquisition and, if the Reverse Split is not consummated, the Acquisition will not take place, and the Company will remain an inactive "blank check" company with no significant assets or business. Additionally, the Reverse Split would reduce the number of shares of its Common Stock outstanding to amounts that the Board of Directors believes are more reasonable in light of its size and market capitalization. Finally, the resulting company may require additional capital for its operations and may not be able to raise the necessary capital unless the price of the Common Stock is higher than the current Common Stock price levels. However, no assurance can be given that the Reverse Split will result in any increase in the Common Stock price or that the Company will be able to complete any financing following the Reverse Split.

When the trading price of the Company's Common Stock is below $5.00 per share, the Common Stock is considered to be "penny stocks" that are subject to rules promulgated by the United States Securities and Exchange Commission (the "Commission") (Rule 15-1 through 15g-9) under the Securities Exchange Act of 1934. These rules impose significant requirements



on brokers under these circumstances, including: (a) delivering to customers the Commission's standardized risk disclosure document; (b) providing to customers current bid and offers; (c) disclosing to customers the broker-dealer and sales representatives compensation; and (d) providing to customers monthly account statements.

The possibility exists that the reduced number of outstanding shares will adversely affect the market for the Common Stock by reducing the relative level of liquidity. In addition, the Reverse Split will increase the number of shareholders who own odd lots, or less than 100 shares. Shareholders who own odd lots typically find it difficult to sell their shares and frequently find odd lot sales more expensive than round lot sales of 100 shares or more.

After the Reverse Split, and the completion of the Acquisition, the Company will have issued and outstanding approximately 19,989,333 shares of its Common Stock, and the Company will have the corporate authority to issue approximately 30,010,667 additional shares of authorized but unissued Common Stock. These authorized and unissued shares may be issued without shareholder approval at any time, in the sole discretion of the Board of Directors. The authorized and unissued shares may be issued for cash, to acquire property or for any other purpose that is deemed in the best interests of the Company. Any decision to issue additional shares will reduce the percentage of the Company's shareholders' equity held by the current shareholders and could dilute the Company's net tangible book value.

No Exchange of Certificates and Elimination of Fractional Share Interests

On the Effective Date, three shares of Old Common Stock will automatically be combined and changed into one share of New Common Stock. No additional action on the part of the Company or any shareholder will be required in order to effect the Reverse Split. Shareholders will not be requested to exchange their certificates representing shares of Old Common Stock held prior to the Reverse Split for new certificates representing shares of New Common Stock. However, shareholders will be furnished the necessary materials and instructions to effect such exchange upon request.

No fractional shares of New Common Stock will be issued to any shareholder, and all fractional shares will be rounded up to the next whole number.

Federal Income Tax Consequences of the Reverse Split

The combination of three shares of the Old Common Stock into one share of New Common Stock should be a tax-free transaction under the Internal Revenue Code of 1986, as amended, and the holding period and tax basis of the Old Common Stock will be transferred to the New Common Stock received in exchange therefor.

This discussion should not be considered as tax or investment advice, and the tax consequences of the Reverse Split may not be the same for all shareholders. Shareholders should consult their own tax advisors to know their individual Federal, state, local and foreign tax consequences.



APPROVAL OF THE 2004 STOCK INCENTIVE PLAN

The Company's Board of Directors has adopted a 2004 Stock Incentive Plan (the "Plan"). Shareholders who hold approximately 55.6% of the outstanding stock of the Company have approved the Plan. The Plan designates a Stock Option Committee appointed by the Board of Directors and authorizes the Stock Option committee to grant or award to eligible participants of the Company and its subsidiaries and affiliates, stock options, stock appreciation rights, restricted stock performance stock awards and Bonus Stock awards for up to 1,500,000 post-split shares of the New Common Stock of the Company. The initial members of the Stock Option Committee have not yet been appointed. There are no awards outstanding under the Plan. A complete copy of the Plan is attached hereto as Exhibit "B."

The following is a general description of certain features of the Plan:

1. Eligibility. Officers, other key employees and consultants of the Company, its subsidiaries and its affiliates who are responsible for the management, growth and profitability of the business of the Company, its subsidiaries and its affiliates, are eligible to be granted stock options, stock appreciation rights, and restricted or deferred stock awards under the Plan. Directors are eligible to receive Stock Options.

2. Administration. The Plan is administered by the Stock Option Committee (the "Committee") of the Company. The Committee has full power to select, from among the persons eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to any participants and to determine the specific terms of each grant, subject to the provisions of the Plan.

3. Stock Options. The Plan permits the granting of non-transferable stock options that are intended to qualify as incentive stock options ("ISO's") under section 422 of the Internal Revenue Code of 1986, and stock options that do not so qualify ("Non-Qualified Stock Options"). The option

exercise price for each share covered by an option shall be determined by the Committee but shall not be less than 100% of the fair market value of a share on the date of grant for ISO's, and not less than 85% of the fair market value of a share on the date of grant for Non-qualified Stock Options. The term of each option will be fixed by the Committee, but may not exceed 10 years from the date of the grant in the case of an ISO or 10 years and two days from the date of the grant in the case of a Non-Qualified Stock Option. In the case of 10% stockholders, no ISO shall be exercisable after the expiration of five (5) years from the date the ISO is granted.

4. Stock Appreciation Rights. Non-transferable stock appreciation rights ("SAR's") may be granted in conjunction with options, entitling the holder upon exercise to receive an amount in any combination of cash or unrestricted Common Stock of the Company (as determined by the Committee), not greater in value than the increase since the date of grant in the value of the shares covered by such right. Each SAR will terminate upon the termination of the related option.

5. Restricted Stock. Restricted shares of the Common Stock may be awarded by the Committee subject to such conditions and restrictions as they may determine. The Committee shall also determine whether a recipient of restricted shares will pay a purchase price per share or will receive such restricted shares without, any payment in cash or property. No Restricted Stock Award may provide for restrictions beyond ten (10) years from the date of grant.



6. Performance Stock. Performance shares of Common Stock may be awarded without any payment for such shares by the Committee if specified performance goals established by the Committee are satisfied. The designation of an employee eligible for a specific Performance Stock Award shall be made by the Committee in writing prior to the beginning of the period for which the performance is based. The Committee shall establish the maximum number of shares to stock to be issued to a designated Employee if the performance goal or goals are met. The Committee reserves the right to make downward adjustments in the maximum amount of an Award if, in it discretion unforeseen events make such adjustment appropriate. The Committee must certify in writing that a performance goal has been attained prior to issuance of any certificate for a Performance Stock Award to any Employee.

7. Bonus Stock. The Committee may award shares of Common Stock to eligible persons, without any payment for such shares and without any specified performance goals. The Employees eligible for bonus Stock Awards are senior officers and consultants of the Company and such other employees designated by the Committee.

8. Transfer Restrictions. Grants under the Plan are not transferable except, in the event of death, by will or by the laws of descent and distribution.

9. Termination of Benefits. In certain circumstances such as death, disability, and termination without cause, beneficiaries in the Plan may exercise Options, SAR's and receive the benefits of restricted stock grants following their termination or their employment or tenure as a director as the case may be.

10. Change of Control. The Plan provides that (a) in the event of a "Change of Control" (as defined in the Plan), unless otherwise determined by the Committee prior to such Change of Control, or (b) to the extent expressly

provided by the Committee at or after the time of grant, in the event of a "Potential Change of Control" (as defined in the Plan), (i) all stock options and related SAR's (to the extent outstanding for at least six months) will become immediately exercisable: (ii) the restrictions and deferral limitations applicable to outstanding restricted stock awards and deferred stock awards will lapse and the shares in question will be fully vested: and (iii) the value of such options and awards, to the extent determined by the Committee, will be cashed out on the basis of the highest price paid (or offered) during the preceding 60-day period, as determined by the Committee. The Change of Control and Potential Change of Control provisions may serve as a disincentive or impediment to a prospective acquirer of the Company and, therefore, may adversely affect the market price of the Common Stock of the Company.

11. Amendment of the Plan. The Plan may be amended from time to time by majority vote of the Board of Directors provided as such amendment may affect outstanding options without the consent of an option holder nor may the plan be amended to increase the number of shares of Common Stock subject to the Plan without stockholder approval.

Shareholders should note that certain disadvantages may result from the adoption of the Plan. Pursuant to the plan the Company is reserving the right to issue up to 1,500,000 shares of New Common Stock. Such issuances may be in the form of stock options, stock appreciation rights, restrictive stock awards, performance stock or bonus stock. Each of these issuances may be made at prices below the then current market price of the Company's Common Stock, or at the time of exercise the exercise price may be below current market prices of the Company's Common Stock. Accordingly, the sale of these shares may adversely affect the



market price of our Common Stock. The issuance of shares upon the exercise of stock options may also result in substantial dilution to the interests of other stockholders. Additionally, the issuance of shares under the plan will result in the reduction of shareholder's interest of the Company with respect to earnings per share, voting, liquidation and book value per share.

Federal Income Tax Consequences

The following discussion summarizes U.S. federal tax treatment of options granted under the Plan under federal tax laws currently in effect. The rules governing the tax treatment of options are quite technical and the following discussion is necessarily general in nature and does not purport to be complete. The statutory provisions and interpretations described below are, of course, subject to change, and their application may vary in individual circumstances. Optionees are encouraged to seek professional tax advice when exercising Awards under the Plan.

Non-Qualified Stock Options. If an optionee is granted options under the Plan that constitute non-qualified stock options, the optionee will not have taxable income on the grant of the option, nor will the Company be entitled to any deduction. Generally, on exercise of non-qualified stock options, an optionee will recognize ordinary income, and the Company will be entitled to a deduction, in an amount equal to the difference between the exercise price and the fair market value of the Common Stock on the date of exercise. The holder's basis for the Common Stock for purposes of determining gain or loss on subsequent disposition of such shares generally will be the fair market value of the Common Stock on the date the optionee exercises the stock option. Any subsequent gain or loss will be generally taxable as capital gains or losses.

Incentive Stock Options. There is no taxable income to an optionee when he is granted an option under the Plan that constitutes an ISO or when that option is exercised. However, the amount by which the fair market value of the Common Stock at the time of exercise exceeds the exercise price will be an "item of tax preference" for the optionee. Gain realized by the optionee on the sale of an ISO is taxable at capital gains rates, and no tax deduction is available to the Company, unless the optionee disposes of the Common Stock within (a) two years after the date of grant of the ISO or (b) within one year of the date the Common Stock was transferred to the optionee. If the shares of Common Stock are sold or otherwise disposed of before the end of the one-year and two-year periods specified above, the difference between the exercise price and the fair market value of the Common Stock on the date of the option's exercise will be taxed at ordinary income rates, and the Company will be entitled to a deduction to the extent the optionee must recognize ordinary income. An ISO exercised more than three months after an optionee retires, other than by reason of death or disability, will be taxed as a non-qualified stock option, and the optionee will have been deemed to have received income on the exercise taxable at ordinary income rates. The Company will be entitled to a tax deduction equal to the ordinary income, if any, realized by the optionee.

SARs. No taxable income is realized on the receipt of an SAR, but on exercise of the SAR the fair market value of the Common Stock (or cash in lieu of Common Stock) received must be treated as compensation taxable as ordinary income to the optionee in the year of the exercise. The Company will be entitled to a deduction for compensation paid in the same amount which the optionee realized as ordinary income.



Stock Awards. The taxation of stock awards will depend in part on the type of stock award that is granted. However, if an employee has been granted a restricted stock unit, he will generally not realize taxable income at the time of grant, and the Company will not be entitled to a deduction at that time. Instead, the employee will generally recognize ordinary income at the time a restricted stock unit becomes vested (that is, when the Committee approves the release of the restricted stock unit) in an amount equal to the fair market value of the Common Stock that becomes vested pursuant to such restricted stock unit (plus the amount of any dividend equivalents awarded with respect to the restricted stock unit and interest thereon), and the Company will be entitled to a corresponding deduction.

The foregoing is only a summary of certain federal income tax consequences under the Plan. It does not purport to be complete and does not discuss the tax consequences arising in the context of a participant's death or the income tax laws of any municipality, state or foreign country in which the participant's income or gain may be taxable.

The foregoing is only a summary of the Plan and is qualified in its entirety by reference to its full text, a copy of which is attached hereto as Exhibit "B."

## MANAGEMENT

Current Management of the Company

The following table sets forth the names, ages, and positions with the Company for each of the directors and officers of the Company.

| Name | Age | Positions* | Since |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Richard B. Stuart | 70 | President and Director | 1986 |
| Jack M. Gertino | 65 | Secretary, Treasurer and Director | 1986 |

* In August, 2003, Philip C. Gugel, Vice President and a director, passed away. Mr. Gugel has not been replaced.

All executive officers are elected by the Board and hold office until the next Annual Meeting of stockholders or until their successors are duly elected and qualified.

The following is information on the business experience of each director and officer.

Richard B. Stuart earned his BA at New York University in 1955 and masters and doctoral degrees at Columbia University in 1960 and 1965, respectively. He currently holds the following positions: President, Behavior Change Systems (Ann Arbor, MI), a firm offering business consulting and program development services; Program Director, Respecialization in Clinical Psychology, The Fielding Graduate Institute (Santa Barbara, CA); Clinical Professor Emeritus, Department of Psychiatry, University of Washington (Seattle, WA). Dr. Stuart also provides psychological services through a private practice in Seattle, WA. From 1972 to 1983, he was Psychological Director of Weight Watchers International and President of its subsidiary, One-To-One Weight Control Clinics. Dr. Stuart has also been a consultant to companies involved in businesses ranging from wholesale groceries to auto parts production and human services. Dr. Stuart was an officer and director of Domino Investments (Salt Lake City, UT).



Jack M. Gertino has been a private investor and business consultant in Salt Lake City, Utah, for the past ten years. For the past ten years, he has also been engaged in the private development of, and investment in, commercial and residential real estate in Utah, Arizona and New Mexico. He currently provides consulting services for financial institutions. Mr. Gertino has been involved in private and public financings over the past twenty years. From February 1992 to the present, he has served as a director of Red Horse Entertainment Corporation, a publicly held shell corporation seeking a business acquisition.

Proposed New Management

At or shortly following Closing of the Town House Acquisition, it is anticipated that the current Board of Directors will appoint the designees of Town House as new directors. Following such appointment, the current Board of Directors will resign their positions with the Company. Two of these individuals are expected to become executive officers of the Company at Closing. The individuals who it is currently expected will be directors and officers of the Company following Closing are set forth below.

| Name | Age | Position(s) |
|---|---|---|
| Fang Zhong | 39 | Chairman, Director, Chief Executive Officer and President |
| Luo Yun Fang | 46 | Director, Executive Vice President-Chief Financial Officer and Treasurer |
| Fang Wei Feng | 33 | Director |

| | | |
|---|---|---|
| Fang Wei Jun | 37 | Director |
| Fang Hui | 33 | Director |
| Hu Min | 24 | Director |

The following is information on the business experience of each director and officer.

Mr. Fang Zhong is the founder and has been the Chairman of the Board, Chief Executive Officer and President of Town House since its organization in 2003. From 1995 to the present, he has been the Chief Executive Officer and a director of Wuhan Pacific which is the principal operating subsidiary of Town House. Mr. Fang Zhong received a B.S. degree in industrial and domestic architecture from the Wuhan Institute of Urban Construction. He also participated in the MBA program at Northern Jiaotong University. He has received various awards, including "Young Entrepreneur in Central-south Area" of the PRC, and "One of Ten Excellent Young Entrepreneurs Leading Private Enterprises in Wuhan". He also holds various significant positions such as the Standing Director of Hubei Physical Culture Foundation, Deputy to Jiang'an District People's Congress, a Standing Member to Jiang'an District Political Consultative Conference, and the Vice Chairman of Jiang'an District Young People Association, etc.

Mr. Luo Yun Fang became a director, the Executive Vice President-Chief Financial Officer and Treasurer of Town House in 2003. He has been the general manager of Wuhan Pacific since 1998. He has more than 20 years of experience in financial and administration



management. He received a B.S. degree in 1980 from the Hunan Financial University, and received an MBA degree from Northern Jiaotong University in 2001. Mr. Luo Yun Fang also holds other positions, such as an editor of the Financial Periodical in the PRC; Consultant and Standing Director of Chinese Finance and Tax website; member of standing committee and member of executive committee of Wuhan Industrial and Commercial Association and Wuhan General Commerce Association.

Mr. Fang Wei Feng has been employed as the manager of the materials department and construction operations responsible for construction material purchases and distribution, since 1996. He became a director and Vice President-Construction Operations of Town House in 2003.

Mr. Fang Wei Jun has been employed as the manager of the engineering department of Wuhan Pacific, since 2000. He has been an employee of Wuhan Pacific for over ten (10) years. He became the General Manager of Operations of Town House in 2003. He attended Zhengzhou College and graduated in 1985.

Ms. Fang Hui became the Accounting Manager of Town House in 2003. She graduated from Hubei Medical University in June 1996 in surgery. From September 2000 to the present, she has been the Financial Manager of Wuhan Pacific.

Ms. Hu Min has been employed as the Human Resources Manager of Wuhan Pacific since 2000. She graduated from Wuhan University in 2001.

Mr. Fang Zhong is married to Ms. Hu Min. Fang Zhong, Fang Wei Feng, Fang Wei Jun and Fang Hui are siblings. Luo Yun Fang is a cousin to all of these siblings.

## EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following sets forth the compensation of Comet's executive officers for the three fiscal years ended December 31, 2003.

| Name and Principal Position | Fiscal Year Ended Dec. 31 (1)(2) | Salary($) | Bonus($) | Options(#)(3) | All Other Compensation($) |
|---|---|---|---|---|---|
| Richard B. Stuart | 2003 | 0 | 0 | 0 | 10,000(1) |
| President and Chief | 2002 | 0 | 0 | 0 | 5,000(2) |
| Executive Officer | 2001 | 0 | 0 | 0 | 0 |
| Jack M. Gertino | 2003 | 0 | 0 | 0 | 20,000(1) |
| Secretary/Treasurer | 2002 | 0 | 0 | 0 | 10,000(2) |
| and Chief Financial Officer | 2001 | 0 | 0 | 0 | 0 |

(1) The Company recorded compensation expense for Richard B. Stuart and Jack M. Gertino, computed on an hourly basis, in the amounts indicated, for their efforts in reviewing the business opportunity with Town House for a possible business combination during the fiscal year, participating in meetings and conference calls in connection with such opportunity, and undertaking related activities.



(2) The Company recorded compensation expense for Richard B. Stuart and Jack M. Gertino, computed on an hourly basis, in the amounts indicated, for their efforts in reviewing a specific business opportunity for a possible business combination during the fiscal year, participating in meetings and conference calls in connection with such opportunity, and undertaking related activities. This possible transaction was terminated in October, 2002.

(3) On March 11, 1999, the Company granted to Richard B. Stuart, Phillip C. Gugel and Jack M. Gertino options to purchase 200,000 shares of Common Stock each at an exercise price of $0.1875, which was the average of the bid and asked prices for the Common Stock on that date. The options are vested and expire in March 2009. The options were issued to compensate these persons for their services to the Company over the past 13 years, for which they had received no other compensation. Messrs. Gertino and Stuart have agreed that their options to purchase all but 12,500 post-split shares each, will be cancelled at the Closing. The options of Mr. Gugel have now passed on to his estate.

The Company has no agreement or understanding, express or implied, with any officer, director, or principal stockholder, or their affiliates or associates, regarding employment with the Company or compensation for services. The Company has no plan, agreement, or understanding, express or implied, with any officer, director, or principal stockholder, or their affiliates or associates, regarding the issuance to such persons of any shares of the Company's authorized and unissued Common Stock. There is no understanding between the Company and any of its present stockholders regarding the sale of a portion or all of the Common Stock currently held by them in connection with any future participation by the Company in a business. There are no other plans, understandings, or arrangements whereby any of the Company's officers, directors, or principal stockholders, or any of their affiliates or associates, would receive funds, stock, or other assets in connection with the Company's participation in a business. No advances have been made or contemplated by the Company to any of its officers, directors, or principal stockholders, or any of their affiliates or associates.

There is no policy that prevents management from adopting a plan or agreement in the future that would provide for cash or stock based compensation for services rendered to the Company.

In connection with the Exchange Agreement between the Company and Town House, Town House has entered into a consulting agreement with Belair Consulting, L.L.C., a limited liability company of which Messrs. Stuart and Gertino are owners. (See "Certain Relationships and Related Transactions," page 31).

The following table sets forth certain information with respect to unexercised options held by the executive officers as of December 31, 2003. The option shares reflected below give effect to the proposed Reverse Split.



| Name and Principal Position | Number of Securities Underlying Unexercised Options at December 31, 2003 (#) | Value of Unexercised In-the-Money Options at December 31, 2003($)(1) |
|---|---|---|
| | Exerciseable/Unexerciseable | Exerciseable/Unexerciseable |
| Richard B. Stuart (2) President | 66,667/ -0- | -0-/ -0- |
| Philip C. Gugel (3) Vice President | 66,667/ -0- | -0-/ -0- |
| Jack M. Gertino (2) Secretary and Treasurer | 66,667/ -0- | -0-/ -0- |

(1) This value is determined on the basis of the difference between the average of the high bid and asked prices on December 31, 2003, of the securities underlying the options, and the exercise price.

(2) The options covering all but 12,500 post-split shares each held by Richard B. Stuart and Jack M. Gertino, will be cancelled at Closing.

(3) Mr. Gugel passed away in 2003; however, his options are held by his estate.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with the Closing of the Exchange Agreement, Town House and the Company have entered into a consulting agreement (the "Consulting Agreement") with Belair Consulting, LLC, a Utah limited liability company ("Belair"), of which Jack M. Gertino, Secretary/Treasurer of the Company and Richard Stuart, officers and directors, are members and owners. Under this agreement, Belair will provide consulting services in financial management planning, capital formation and shareholder relations for a period of two (2) years, and will receive up to 400,000 post-split shares of restricted Common Stock of the resulting company, together with up to $130,000 in cash compensation, over such two year period. This transaction cannot be considered the result of arms' length negotiations.

Except the transactions described above, there are no proposed transactions and no transactions during the past two years to which the Company was a party and in which any officer, director, or principal shareholder, or their affiliates or associates, was also a party.

The officers and directors are compensated at an hourly rate for time expended in connection with the Exchange Agreement.

A shareholder of the Company, James C. Lewis, has provided legal services in connection with the Town House transaction, and will be compensated at his normal rates for such services.



## MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Although quotations for the Company's Common Stock appear on the NASD Electronic Bulletin Board, there is no established trading market for the Common Stock. For the past two calendar years to the present, transactions in the Common Stock can only be described as sporadic. Consequently, the Company is of the opinion that any published prices cannot be attributed to a liquid and active trading market and, therefore, are not indicative of any meaningful market value.

The following table sets forth for the respective periods indicated the prices of the Company's Common Stock in the over-the-counter market, as reported and summarized by the NASD Electronic Bulletin Board. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

| Calendar Quarter Ended | High Bid ($) | Low Bid ($) |
|---|---|---|
| March 31, 2002 | 0.5300 | 0.1600 |
| June 30, 2002 | 0.2300 | 0.1000 |
| September 30, 2002 | 0.1200 | 0.1000 |
| December 31, 2002 | 0.0700 | 0.0700 |
| March 31, 2003 | 0.0700 | 0.0700 |
| June 30, 2003 | 0.0700 | 0.0700 |
| September 30, 2003 | 0.0800 | 0.0700 |
| December 31, 2003 | 0.1500 | 0.0800 |

| | | |
|---|---|---|
| March 31, 2004 | 0.3000 | 0.1500 |
| June 30, 2004 | 0.2500 | 0.2400 |

As of August 12, 2004, the closing bid price for the Company's Common Stock was $0.23. There are outstanding options to purchase 600,000 pre-split shares of Common Stock at an exercise price of $0.1875, which expire in March 2009. Of such amount, Jack M. Gertino and Richard B. Stuart each hold options to purchase 200,000 shares. In connection with the Town House Acquisition, Jack M. Gertino and Richard B. Stuart have agreed that options to purchase all but 75,000 pre-split shares may be cancelled at Closing. There is an outstanding warrant to purchase 50,000 pre-split shares of the Company's Common Stock at an exercise price of $0.1875, which expires in March 2009. All shares of Common Stock outstanding may be sold without restriction under Rule 144(k) promulgated under the Securities Act of 1933, except 403,360 pre-split shares, which are held by officers and directors ("Control Shares"). Control Shares may be sold subject to complying with all of the terms and conditions of Rule 144, except the one-year holding period, which has been satisfied.

Since its inception, no dividends have been paid on the Company's Common Stock. The Company intends to retain any earnings for use in its business activities, so it is not expected that any dividends on the Common Stock will be declared and paid in the foreseeable future.

At August 12, 2004, there were approximately 101 holders of record of the Company's Common Stock.



COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our Common Stock. The Company believes all forms required to be filed under Section 16 of the Exchange Act have been filed timely.

HISTORICAL FINANCIAL INFORMATION OF COMET AND TOWN HOUSE

The audited consolidated financial statements of Town House for the two years ended December 31, 2003, together with the report of Murrell, Hall, McIntosh & Co., PLLP, independent auditors, an the unaudited consolidated financial statements of Town House for the six months ended June 30, 2004 and 2003, are included in this Information Statement beginning on page F-1.

The financial statements of Comet for the fiscal year ended December 31, 2003, have been audited by HJ & Associates, LLC, independent public accountants, as indicated in their report with respect thereto and are included in Comet's Annual Report on Form 10-KSB for fiscal 2003, which is incorporated herein by reference, in reliance upon the authority of said firm as experts in accounting and auditing.

The unaudited financial statements of the Company for the three months ended March 31, 2004 and March 31, 2003, and the unaudited financial statements of the Company for the six months ended June 30, 2004 and June 30, 2003, are included in the Company's quarterly reports on Form 10-QSB for the quarters ended March 31, 2004 and June 30, 2004, respectively, which are incorporated herein by reference.

PRO FORMA INFORMATION

The Pro Forma Financial Information, required by Item 310(d) of Regulation S-B showing the effect on the Company and Town House of the Town House Acquisition, as of December 31, 2003 and June 30, 2004, are included in this Information Statement beginning on page F-48.

INDEPENDENT ACCOUNTANTS

The Company's current independent auditor is HJ & Associates, LLC. It is contemplated that following Closing of the Acquisition, Murrell, Hall, McIntosh & Co PLLP ("Murrell"), Oklahoma City, Oklahoma, will become the Company's independent auditors.



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MHM

MURRELL, HALL, MCINTOSH & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and
Stockholders of Town House Land Limited and Subsidiaries

We have compiled the accompanying consolidated balance sheet of Town House Land Limited and Subsidiaries as of June 30, 2004, and June 30, 2003, and the related consolidated statements of income and retained earnings and cash flows for the six months periods then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying consolidated financial statements as of June 30, 2004 and June 30, 2003, and, accordingly, do not express an opinion or any other form of assurance on them.

/s/ Murrell, Hall, McIntosh & Co, PLL