

**CHINA RARE EARTH HOLDINGS LTD:
NOW, THIS IS, REALLY, A RARE EVENT**

It certainly cannot be a shortage of cash and it, certainly, cannot be that China Rare Earth Holdings Ltd () (Code: 769, Main Board, The Stock Exchange of Hongkong Ltd) is not making a profit, so the question is: For what reason did the publicly listed company, allegedly, default on its purported agreement with New Training Professional Ltd ()?

New Training Professional Ltd has sued China Rare Earth for \$US20,000 (about \$HK156,000), plus Damages and this and that.

The allegations of New Training Professional Ltd are contained in Action Number 930, filed in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It is alleged, in the Statement of Claim, attached to Writ of Summons, Number 930, that a '*Service Agreement*' existed between the Plaintiff (New Training Professional Ltd) and the Defendant (China Rare Earth Holdings Ltd).

The purported Service Agreement was signed on or about February 17, 2006, it is alleged at Paragraph 3 of the Statement of Claim, that Service Agreement, being '*to provide capital finance consultancy services to the Defendant for the securing of credit facilities from General Electric Company ("GE") and its designated organisations ("the Capital Finance Deal")*'.

It is stated at Paragraph 5.(a)(i) that the GE credit facilities to be secured would be \$US20 million (about \$HK156 million).

Paragraph 5.(b)(i) alleges that China Rare Earth '*agreed to pay the Plaintiff 1% of the amount of the credit facilities to be secured, i.e. USD200,000.00 ("the Service Payment")*'.

Paragraph 5.(b)(ii)(1) alleges that it was agreed that China Rare Earth '*would pay the Plaintiff ... 10% of the Service Payment ... within 5 working days after the signing of the Service Agreement by both the Plaintiff and the Defendant*'.

The remaining \$US180,000, it is alleged at Paragraph 5.(b)(ii)(2), would be paid '*within 5 working days after the signing of the credit agreement between the Defendant and the concerned Capital/Finance Institute acceptable to GE*'.

The Statement of Claim goes on to attest that neither party – the Plaintiff nor the Defendant – had the right '*to unilaterally terminate the Capital Finance Deal*'.

The deposit of \$US20,000 was due on or about February 25, 2006, it is alleged at Paragraph 7.

However, that deposit, or any part of it, was never paid, it is stated at Paragraph 8.

It is, further, alleged that the alleged non-payment of the deposit constituted, inter alia, the unilateral intention of China Rare Earth '*not to be bound by the Service Agreement*'.

New Training Professional Ltd alleges that it '*incurred time and expenditure in the amount of about HK\$670,000 in both Hong Kong and the PRC*'.

New Training Professional Ltd wants that which it is entitled to receive from China Rare Earth and, to that

end, it has filed HKSAR High Court Action, Number 930.

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