

Yip's Chemical Holdings Limited

(the "Company")

Terms of Reference of the Remuneration Committee (Adopted at the Board Meeting on 29th June 2005)

Constitution

1. The board (the "Board") of directors of the Company (the "Directors" and each a "Director") had resolved to establish a committee known as the Remuneration Committee (the "Committee").

Membership

2. A majority of the members of the Committee ("Members" and each a "Member") shall be independent non-executive Directors. All Members and the chairman of the Committee shall be appointed and removed by the Board.

Quorum

3. The quorum necessary for the transaction of the business of the Committee shall be two.

Meetings

4. The Committee shall meet not less than once a year.
5. The company secretary of the Company or his/her nominee shall act as the secretary of the Committee.
6. Unless otherwise agreed by all Members, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each Member and any other person required to attend, no later than 5 working days before the date of the meeting. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice.
7. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or

similar communications equipment all persons participating in the meeting are capable of hearing each other.

8. A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Authority

9. The Committee is authorised to seek any information it requires from any employee or Director in order to perform its duties. In connection with its duties, the Committee is authorised to obtain advice from any person, including professional consultants, whom it regards as competent to give such advice.

Powers and duties

10. The Committee shall make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management (as defined in the Code of Corporate Governance Practices ("the Code") set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules")) and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
11. The Committee shall exercise the powers of the Board to determine the remuneration packages of all executive Directors and senior management, (including salaries, bonuses, benefits in kind, the terms on which they participate in any share or other incentive scheme and any provident fund or other retirement benefit scheme and compensation payments (including any compensation payable for loss or termination of their office or appointment)) taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the executive Directors and senior management, employment conditions elsewhere in the group and desirability of performance-based remuneration.
12. The Committee shall review and approve:
 - 12.1. performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
 - 12.2. compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant

contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

- 12.3. compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
13. The Committee shall make recommendation to the Board on the remuneration of non-executive Directors.
14. The Committee should ensure that no Director or any of his associates is involved in deciding his/her own remuneration.
15. The Committee shall report to the Directors its activities as the Board may require from time to time.
16. The Committee shall exercise such other powers, authorities and discretions, and perform such other duties, of the Directors in relation to the remuneration of the executive Directors and senior management as the Board may from time to time delegate to it, having regard to the Code set out in the Listing Rules.
17. In exercising its power, authorities and discretions and performing its duties, the Committee shall take full account of the Code and the Listing Rules.