

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

For the six months ended 30 June 2005 (the “Current Period”), Omnicorp Limited (the “Company”, which together with its subsidiaries, the “Group”) made a loss before tax and minority interests of HK\$12,936,000 compared with a profit of HK\$6,084,000 for the same period last year. Net loss attributable to shareholders for the Current Period amounted to HK\$18,577,000 compared with a net profit of HK\$5,042,000 for the same period last year.

Total turnover of the Group amounted to HK\$170,649,000, an increase of 164% compared with the turnover of HK\$64,693,000 for the same period last year. The substantial increase in turnover was mainly attributable to the contribution from the home furniture business for the full six months. The home furniture division was only acquired towards the end of last year, and did not contribute any amount to the Group’s turnover for the same period last year.

Gross margin improved from 18.4% to 19%. The increase was mainly due to a higher contribution from the home furniture division.

The Group’s share of the results of associates decreased from HK\$1,626,000 in 2004 to HK\$51,000 in 2005. Bizipoint Group Limited (“Bizipoint”), an associate in the e-commerce business, decided to wind down its business due to continual negative operating cashflow and difficult business environments. As a result, the Group’s interest in Bizipoint including unamortised goodwill were fully provided for in the Current Period.

The Group’s home furniture division, Windsor Treasure Group Holdings Limited (“WTG”) produced an excellent set of results for the Current Period, contributing turnover of HK\$97,858,000 and operating profit of HK\$13,464,000 before tax and minority interests.

Since its acquisition in November 2004, WTG has embarked on an expansion plan with the aim to build WTG’s full range of home furniture brands into stronger positions in the China market over the next few years. In 2005, WTG has stepped up its marketing campaign through TV and other media, exhibitions, and promotional events, and has generated strong and positive responses from its customers. Existing franchise system and national distribution outlets are being expanded. Export business which normally represents around 20% of total turnover is also being expanded due to strong demand and requests from overseas buyers.

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The potentials of the home furniture division also attracted an approach from Chitaly Holdings Limited, another large home furniture company listed on the main board of The Stock Exchange of Hong Kong Limited, to make a possible cash offer to acquire the Company and/or WTG as announced on 13 July 2005. However, negotiations were mutually terminated as announced on 15 August 2005.

The board of directors of the Company (the "Board") believes it is in the best interests of the Company that WTG should continue with its existing expansion plan. Given the huge potentials in the China and overseas market, the home furniture division is expected to be a strong and major engine of growth for the Group.

The Group's electronics components division including its key operating unit, Lik Hang Holdings Limited recorded a 16% increase in revenue during the Current Period, which was mainly attributable to the successful product development programme and the expansion of sales in composite components, in particular power supply products. The electronics components division contributed a profit of HK\$2,999,000 and an increase of 231% over a profit of HK\$906,000 for 2004. This was mainly due to stringent cost control.

During the Current Period, the Group's technology division comprising its main operating unit, VFJ Technology Holdings Limited suffered from diminishing market share due to severe competition and therefore scaled down its local sales support in Beijing and Shanghai to further improve cost effectiveness. Turnover decreased by 73% from HK\$3,969,000 in 2004 to HK\$1,069,000 in the Current Period. Due to the significant decline in sales, the technology division made a loss of HK\$2,588,000 for the Current Period compared with a profit of HK\$806,000 for 2004.

Notwithstanding the satisfactory results of the home furniture division, the Group's overall results have been adversely affected by two material items; a deficit on listed investment of HK\$9,864,000 and the impairment loss on interest of an associate, Bizipoint, of HK\$10,304,000.

Equity attributable to the Company's shareholders as at 30 June 2005 amounted to HK\$201,412,000 or HK\$1.34 per share (31 December 2004: HK\$2.1 per share).