Management Discussion and Analysis

REVIEW OF OPERATIONS

For the year ended 31 December 2006 (the "Year"), Omnicorp Limited (the "Company") together with its subsidiaries (the "Group"), made a loss after tax and before minority interests of HK$14,384,000 compared with a loss of HK$6,408,000 for 2005. Net loss attributable to shareholders for the Year amounted to HK$30,656,000 compared with a net loss of HK$19,791,000 for last year.

Total turnover of the Group amounted to HK$198,413,000, an increase of 19.0% compared with the turnover of HK$166,750,000 for 2005. This increase in turnover was mainly attributable to the growth from the electronic component business.

Gross margin decreased slightly from 11.8% for 2005 to 11.2% for the Year. The decrease was mainly due to the fluctuation of raw material costs and the increase of labour costs during the Year.

The Group's electronic components division operating under Lik Hang Holdings Limited ("Lik Hang") recorded a 20.1% increase in revenue from HK$162,077,000 for 2005 to HK$194,667,000 for the Year. Raw material costs, in particular, copper and plastic materials escalated to a record high in the first half of 2006 but managed to ease off in the second half. However, labour costs continued to increase due to labour shortage in the Pearl River Delta region in China. Despite the difficult environment, Lik Hang contributed a profit of HK$10,106,000 for the Year as compared to HK$8,137,000 for 2005 representing an increase of 24.2%.

Lik Hang's revenue growth was mainly due to its diversification of product range especially in the area of power supply related components. This division will continue its effort in developing more energy efficient components in order to meet the increasing demand of power saving consumer electronic products. As the world is more aware of the need for better environmental protection, more and more countries are imposing mandatory standards on power consumption efficiency of all electronic and electrical products. This increasing demand will be the driving force for Lik Hang's future growth.

During the Year, the Group disposed of its investments in the home furniture division and the smart card technology division (the "Discontinued Operations"). The home furniture division operating under Windsor Treasure Group Holdings Limited ("WTG") contributed a profit before minority interests of HK$28,423,000 for the seven months period owned by the Group compared to a profit before minority interests of HK$31,392,000 for the full year in 2005. The Board decided to dispose of this division because of the substantial amount of financial resources and management efforts required in order to maintain and expand its market position in the highly competitive home furniture industry in China. Given the reasonable purchase price offered, the Directors considered that it was the appropriate time for the Group to realize its investment in WTG. The smart card technology division operating under VFJ Technology Holdings Limited ("VFJ") contributed a loss before minority interests of HK$3,458,000 for the Year as compared to a loss of HK$6,085,000 for 2005. As VFJ has been operating at a loss for a number of years, the Board decided to dispose of its investment in this division.

Administrative expenses increased from HK$25,303,000 for 2005 to HK$28,726,000 for the Year. Other operating expenses increased from HK$22,790,000 for 2005 to HK$29,478,000 including the impairment write-down of the Group's long term investments of HK$17,700,000. The Group's finance costs also increased from HK$6,058,000 to HK$8,705,000. These factors contributed to the bigger loss for the Year. The Group has adopted stronger measures to control operating expenses and other costs.

Equity attributable to the Company's shareholders as at 31 December 2006 amounted to HK$138,887,000 or HK$0.9 per share (31 December 2005: HK$201,384,000 or HK$1.3 per share).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies.

The Group's current assets and current liabilities as at 31 December 2006 were HK$168,999,000 and HK$83,759,000, respectively (31 December 2005: HK$328,519,000 and HK$187,491,000 respectively). As at 31 December 2006, the Group had cash and bank deposits of approximately HK$35,569,000 (31 December 2005: HK$67,990,000), and short-term bank borrowings of HK$53,880,000 (31 December 2005: HK$67,152,000).

As at 31 December 2006, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' funds, was 39.8% (31 December 2005: 49.8%).

The Group has limited exposure to the foreign exchange fluctuations risks as most of its sales are denominated in Hong Kong dollars and United States dollars, being the same currencies in which the Group's related costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi may have a negative but immaterial impact to the Group. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2006.

During the Year, the Company had 150,439,152 shares in issue.

Management Discussion and Analysis (Continued)

PLEDGE ON ASSETS

As at 31 December 2006, the Group pledged bank balances in the amount of HK$22,479,000 (31 December 2005: HK$22,285,000) as securities for banking facilities to certain subsidiaries.

PROSPECTS

The management is disappointed with the overall loss of the Group for the Year. The Directors are actively reviewing all the Group's business and investment activities, long term strategies, and the implications of funding, management and other resources required to achieve better returns and value for our shareholders.

The electronic components division will continue its effort to further develop and expand sales in energy efficient power supply components.

EMPLOYEES AND REMUNERATION POLICIES

While the Group will continue to adopt strict financial discipline and cost control, it will actively pursue a personnel policy which will provide performance based rewards and incentives in order to retain and attract high caliber executives and employees.

As at 31 December 2006, the Group had approximately 1,000 employees, out of which approximately 900 were production workers in China. In addition to the provision of annual bonuses, medical insurance and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their individual performance. The remuneration policy and packages of the Group are reviewed from time to time.