

Betex Group Plc
(“Betex” or “the Company”)

Interim Results for the 6 Months ended 30 June 2006

Betex Group plc (AIM: BTX), the Asian focused lottery and gaming Company, announces its Interim Results for the 6 months ended 30 June 2006.

Highlights

Financial highlights

- **Gross Profit £0.8m (2005: Gross Loss £0.3m)**
- **EBITDA loss (after share based transaction costs) £1.4m (2005: £1m)**
- **Trading turnover £7.4m (2005: £45.3m) following a capping on growth and improvement of quality of customers**
- **Asia focused business with no operations in the US**

Business highlights 2006

- AIM listing completed raising £12.5m net of expenses
- Signed Guangzhou deal to open up to 22 Mega shops
- Signed Chong Qing deal to open up to 10 Mega shops
- Acquired software rights and sign distribution agreements into 2 provinces
- Acquired mobile lottery retailing company with contracts in 3 provinces
- Extended software distribution network into a total of 13 provinces and more than 2,500 retail outlets
- EBITDA positive and cash generative to date for second half of 2006

Commenting on today's announcement, Executive Chairman Johnny Hon said:

“It is with great pleasure that we present the interim trading figures for the first half of 2006. During this period the Company has begun to mature both operationally and as an organisation. The period also reflects the transition

from being a UK based internet Asian handicap football bookmaker to a truly Asia centric organisation with offices and staff in Beijing, Guangzhou and Hong Kong, reflecting the development of the business.

The Company has made great strides to the extent that the business has been EBITDA profitable and cash generative to date in the second half of the year.

Betex now has an operating interest in 17 of China's 32 provinces. At the highest level this interest earns the Company a percentage of every lottery ticket sold from the province-wide, co-management contracts in Guizhou and Hebei which cover over 3,000 outlets. The Company continues to seek new province-wide opportunities as they become available.

Our direct retail strategy in China is being implemented at a very strong pace with the opening of our own lottery shops, and the rollout of our software across an additional 2,500 lottery shops around the country. Recent appointments have proved to be extremely valuable in successfully achieving this rollout in such a short time-frame.

The software is already generating daily income for the Company and we are actively seeking to distribute into new provinces and to extend the range of software products offered.

These results show the vast improvement that has been made over the same period last year, and we have invested significantly into people and infrastructure required to maintain our AIM listing and service the growing number of contracts with which we are involved in China. Betex remains an Asian focused business with no operations in the US.

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Operational & Financial Review

Chinese Lottery

The Chinese lottery market was worth US\$8.8 billion in 2005, and has been growing at a compound annual growth rate of approximately 32 per cent over the last 5 years. The lottery market is forecast to reach US\$34.5 billion by 2010. However, when considering the size of the gaming market in China, one cannot ignore the illegal market that is reportedly valued at US\$75 billion annually, with the vast majority staked on European football matches using Asian style handicaps. The Directors believe that potential liberalisation of the gaming sector in China will provide the Group with opportunities to enter this sizeable market through co-operation with the provincial authorities.

In July 2005, the Group agreed to provide investment and IT and marketing services to the Sports Lottery in the province of Guizhou, and then in December reached a similar agreement with the province of Hebei. The Group now receives 2% of the gross ticket revenues in the Guizhou province, and 1.3% of the gross ticket revenues in the Hebei province. Betex retains 80% of the operating profits with 20% being earned by local partners. The contribution to turnover for the 6 months to 30 June 2006 was £814,000 (2005 £17,000). The gross profit from the Chinese lottery operations during the period was £768,000 as against £17,000 in the first half of 2005.

The Group also began opening its retail shops in Guangzhou City in June, and by the month end had opened 4 shops, with trading generating £9,000 of turnover by the end of the month. These shops are expected to break even in the medium term after the Chinese authorities give the go ahead for the sale of single match football tickets.

In August 2006 the Group took a number of significant steps forward in its retailing strategy. Firstly the Company appointed a new head of retailing, Mr Li Bin, who will be responsible for the shop strategy, including the location of new outlets in both Guangzhou and Chong Qing. Mr Li Bin has significant experience in this field having owned and operated a chain of over 30 retail outlets for many years, and is also one of 12 members of the Experts Committee at the Central Sports Lottery Management Centre.

At the same time, the Company acquired and began an immediate roll out of software through an agency network that will provide added value to the retail strategy. In the space of less than a month agreements have been reached for the distribution of the software into more than 2,500 outlets spread across 13 provinces. In the first month of operation the software generated sufficient profits to cover the cost of acquisition, and will make a significant contribution to the second half trading.

Finally, the Company signalled its intentions with regard to remote selling of lottery products by acquiring an 80% interest in a business holding contracts to sell lottery tickets through mobile telephone handsets into 3 provinces. The business is expected to commence trading before the end of 2006.

Asian Handicap Betting

Betex operates its dedicated Asian Handicap football betting platform from its London offices under a UK bookmakers permit.

Growth was a feature of the initial period of trading, and whilst this was successful the speed of growth created issues regarding the availability of hedging deposits and quality of customers. In October 2005 the group raised funds to strengthen its hedging deposits, and adopted a policy of capping growth and improving the quality of customers to focus on improving margins.

As a consequence, the turnover for the first half of 2006 was £6.5 million (2005 £45m), whilst the gross loss was reduced to just £10,000 (2005 £320,000). The loss for the first half was primarily the result of a poor May period in which the division suffered a gross betting loss of £337,000.

Trading Outlook

The start to the second half of the financial year across the Group has been buoyant. A good finish to the World Cup and a strong start to the new season has seen the Asian Handicap Betting division report a gross betting win of £540,000 in the first 2 months of the period, with a promising start to September as well.

The Group's primary objective of extending its interests in the Chinese lottery was furthered by the software acquisition in mid August. The initial distribution agreements for the Sichuan and Shan Xi provinces started extremely well more than doubling the projected sales figure of RMB 200,000 per day by the end of August. The profit margin from this business will take some time to settle down, but is projected to average around 8 - 12%. Further distribution agreements have subsequently been signed raising the number of provinces to 13, and additional agreements are expected to be signed in the near future. As a result of these deals turnover from software sales for September is expected to exceed £2 million, and this part of the business is likely to make a significant contribution to both turnover and profit in the second half of 2006.

As previously mentioned, initial results from the retailing shops have been slow, due in part to the delay in receiving approval for the sale of single match football products. However, the appointment of Mr Li Bin in August is beginning to reap dividends as the shop figures pick up, and the new strategy he has devised will result in significant improvements later in the year.

As a consequence of the improved trading referred to above, the Company has been cash flow positive and EBITDA profitable over the first 2 months of the second half of the year.

Financial Review

The Group reported turnover of £7.4 million for the first 6 months of 2006 (2005 £45.2m), making a gross profit for the period of £819,000, an improvement of £1.14 million over the 2005 loss of £0.32 million. Turnover comprised of £6.5 million from betting activities (2005 £45m), and £0.87million (2005 £0.02m) from the Chinese lottery activity reflecting the changing primary focus of the business.

Administrative expenses rose to £2 million (2005 £0.68m) from as a result of the increased scope of activity, and the additional costs associated with maintaining the AIM listing. The expenses consisted of £948,000 of employee related expenses, £189,000 paid to our local Chinese partners, £92,000 of accommodation expenses, £307,000 of professional fees, £158,000 of financial costs, and £306,000 of other administrative expenses.

The Group sustained an EBITDA loss of £1.395 million (2005 £1.04m) for the first half of operations compared with a loss of £2.9 million for the full year to 31 December 2005. The loss includes the recognition of the costs of share based remuneration in accordance with FRS 20 resulted in a charge for the period of £183,000. No re-statement of prior periods was required as there were no material costs incurred in those earlier periods. Amortisation and Depreciation of £775,000, and Interest costs of £373,000 raise the loss before taxation to £2.54 million (2005 £1.07m).

Basic earnings per share showed a loss of 2.21p (2005 loss 2.0p) versus a loss of 6.27p for the last full year.

During the 6 months ended 30 June 2006, the Group had a cash outflow from operating activities of £1.85 million compared to the 2005 half year figure of £1.81 million, and the full year figure of £3.95 million. As at 30 June 2006 the Group had £12.8 million (2005 £0.12m) of cash and liquid resources on its balance sheet. Net funds amounted to £8.8 million (2005 Net Debt £0.54m).

Consolidated Profit and Loss Account for the 6 months ended 30 June 2006

		Unaudited	Unaudited	Audited
	Notes	6 months to	Pro-forma	Pro-forma
		30 June 2006	6 months to	12 months to
			30 June 2005	31 December
		£000	£000	2005
				£000
Turnover	2	7,401	45,258	133,309
Cost of sales		(6,215)	(46,000)	(134,201)
Other trading income	3	(367)	422	159
Gross profit (2005 loss)		819	(320)	(733)
Administrative expenses		(2,031)	(684)	(2,175)
Share based transaction costs		(183)	-	-
EBITDA		(1,395)	(1,004)	(2,908)
Amortisation & Depreciation		(775)	(26)	(474)
Operating loss		(2,170)	(1,030)	(3,382)
Interest payable (net)		(373)	(38)	(193)
Loss on ordinary activities		(2,543)	(1,068)	(3,575)

before taxation			
Tax on loss on ordinary activities	-	-	-
Loss on ordinary activities after taxation	(2,543)	(1,068)	(3,575)
Minority interest	50	-	22
Loss for the financial period	(2,493)	(1,068)	(3,553)
Loss per share	4	(2.21)p	(2.0)p
		(6.27)p	

There is no difference between the loss for the period stated above and its historical cost equivalent. All of the Group's activities relate to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses for the 6 months ended 30 June 2006

	Unaudited	Unaudited	Audited
	6 months to	Pro-forma	Pro-forma
	30 June 2006	6 months to	12 months to
		30 June 2005	31 December 2005
Loss for the financial period	(2,493)	(1,068)	(3,553)
Net exchange differences on the retranslation of net investments	(124)	-	52
Total recognised gains and losses related to the period	(2,617)	(1,068)	(3,501)

Notes

Consolidated Balance Sheet as at 30 June 2006

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2006	2005	2005
	£000	£000	£000
Fixed assets			
Intangible assets – goodwill	1,178	-	1,207
Tangible assets	900	180	656
Investments	4,805	-	4,636
	6,883	180	6,499
Current assets			
Stock	5	-	-
Debtors	3,860	1,665	2,870

Cash at bank and in hand	5	12,821	124	3,712
		<u>16,686</u>	<u>1,789</u>	<u>6,582</u>
Creditors: amounts falling due within one year				
	5	(4,221)	(293)	(9,774)
Net current assets/(liabilities)		<u>12,465</u>	<u>1,496</u>	<u>(3,162)</u>
Total assets less current liabilities				
		19,348	1,676	3,337
Creditors: amounts falling due after more than one year				
		<u>(1,019)</u>	<u>(667)</u>	<u>(1,279)</u>
Net assets		<u>18,329</u>	<u>1,009</u>	<u>2,058</u>
Capital and reserves				
Called up share capital		1,336	534	705
Share premium		22,435	983	4,305
Equity reserve		183	-	-
Other reserve		560	560	560
Profit and loss account		(6,124)	(1,068)	(3,501)
Equity shareholders' funds	6	<u>18,390</u>	<u>1,009</u>	<u>2,069</u>
Minority interest		(61)	-	(11)
		<u>18,329</u>	<u>1,009</u>	<u>2,058</u>

Consolidated Cash Flow Statement for the 6 months ended 30 June 2006

	Unaudited 6 months to 30 June 2006	Unaudited Pro-forma 6 months to 30 June 2005	Audited Pro-forma 12 months to 31 December 2005
	£000	£000	£000
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss	(2,170)	(1,030)	(3,382)
Depreciation and amortisation	775	26	474
Share based transaction costs	183	-	-
Currency translation adjustments	(382)	-	-
Increase in stocks	(5)	-	-
Increase in debtors	(988)	(1,050)	(1,883)
Decrease in creditors	(506)	247	846
	<u>(2,170)</u>	<u>(1,030)</u>	<u>(3,382)</u>

Net cash outflow from operating activities	(3,093)	(1,807)	(3,945)
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CASH FLOW STATEMENT

Net cash outflow from operating activities		(3,093)	(1,807)	(3,945)
Returns on investments and servicing of finance	7			
Capital expenditure and financial investments	7	(373)	(38)	(124)
Acquisition of subsidiary	7	(4,290)	(104)	(2,672)
Cash outflow before financing and management of liquid resources		(2)	7	7
Management of liquid resources	7	(7,758)	(1,942)	(6,734)
Financing	7	(1,586)	-	(2,502)
	7	16,831	2,016	10,395
Increase in cash		7,523	74	1,159
Reconciliation of net cash flow to movement in net debt				
Increase in cash in the period		7,523	74	1,159
Increase in term deposits		1,586	-	2,502
Decrease/(Increase) in debt and lease financing		9,109	74	3,661
Change in net debt resulting from cash flow		2,304	(288)	(5,176)
Non cash movements		11,413	(214)	(1,515)
Change in net debt		-	-	(777)
Net debt at 1 January		11,413	(214)	(2,292)
		(2,621)	(329)	(329)
Net funds at 30 June		8,792	(543)	(2,621)

Notes to the Accounts for the 6 months ended 30 June 2006

1 Accounting policies

Basis of preparation and consolidation

The financial information for the period ended 30 June 2006 has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the Group. **The auditors' report on the 2005 Statutory Accounts contained a qualified opinion due to a limitation in audit scope. The auditors had been unable to obtain sufficient appropriate audit evidence to support the directors' assertion as to the recoverability of certain deposits included within other debtors as at 31 December 2005, and their audit report was qualified in this respect. The situation regarding these deposits had not changed at 30 June 2006.**

The Group's consolidated accounts include the accounts of the Company and all of its subsidiary undertakings drawn up to the same period end as the Group. The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The results of subsidiaries acquired are consolidated for the periods from the date on which control passed to the Group, except where merger accounting is used (see below).

Corporate restructuring and Merger accounting

During 2005 as part of its preparation for listing on Ofex the Group carried out a corporate restructuring by the introduction of a new holding company, Betex Group plc. Betex Group plc acquired the issued share capital of Betex Management Limited, the former holding company, by the issue of shares to shareholders on the basis of 100 Ordinary shares of 1p for every 1 Betex Management Limited Ordinary share of £1. Prior to 13 May 2005, Betex Group plc had not commenced trading or made any profits or losses. The directors consider that the restructuring represented a change in the identity of the holding company rather than an acquisition and this has been accounted for using merger accounting principles.

In the Group Accounts, merged subsidiary undertakings are treated as if they had always been a member of the Group. Thus the 2005 Profit and Loss Account has been produced as a Pro-forma to reflect the substance of the corporate restructuring, incorporating the trading of Betex Management Limited and its subsidiaries from 1 January 2005 rather than just the date of the merger with Betex Group plc.

The shares issued by the Company as consideration will be shown as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to other reserves.

Where merger accounting or merger relief is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Going concern

The Group is at an early stage of development and has incurred trading losses. The Company was admitted to the Alternative Investment Market (AIM) on 3 March 2006 and raised additional equity of £12.5 million (net of expenses) to fund the development of the business. The Board has prepared financial forecasts to 31 December 2007 and considers it is reasonable to assume that the Group has sufficient working capital up to the end of this period.

The accounts have therefore been prepared on the going concern basis.

Revenue recognition, turnover, gross betting win and gross profit

Turnover represents the amounts staked in respect of bets placed by customers on events which occurred during the period. It also included the fees, based on the lottery revenue, received from provincial governments in China where the Group has made an investment in that province's sports lottery management centre.

Cost of sales represents payouts to customers net of the results of hedging bets, together with Betting Duty or non-recoverable Sales Tax payable and commissions payable to agents.

Gross betting win or loss represents turnover less customer payouts net of the results of hedging bets. Gross profit or loss represents the gross betting win or loss after deducting Betting Duty, non-recoverable Sales Tax and commissions payable.

The net results of proprietary bets placed by the Group are shown as other trading income or costs.

Other investments

These represent investments made in provincial government Sports Lottery management centres in the People's Republic of China, where the group has a management contract with that Lottery Management Centre, together with their costs of acquisition.

These investments are being amortised over the life of the relevant contracts.

Share-based payments

The Group has applied the requirements of FRS20 *Share-based Payment*. In accordance with the Standard it has been applied to all grants of equity instruments.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair-value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Other Accounting policies

All other accounting policies of the Group are consistent with those disclosed in the accounts for the year ended 31 December 2005.

2. Group turnover

Segmental information

	Unaudited		Unaudited		Audited	
	6 Months to 30 June 2006		6 Months to 30 June 2005		12 Months to 31 December 2005	
	Turnover	Gross Profit/(loss)	Turnover	Gross Profit/(loss)	Turnover	Gross Profit/(loss)
	£000	£000	£000	£000	£000	£000
Betting/UK						
Customer stakes	6,526	357	45,241	(759)	133,081	(1,108)
Other trading income	-	(367)	-	422	-	159

	6,526	(10)	45,241	(337)	133,081	(949)
Lottery fees/China	875	829	17	17	228	216
	7,401	819	45,258	(320)	133,309	(733)

3. Other trading income

	Unaudited	Unaudited	Audited
	6 months to 30 June 2006	Pro-forma 6 months to 30 June 2005	Pro-forma 12 months to 31 December 2005
	£000	£000	£000
Proprietary bets placed by the group:			
Amounts staked	(35,614)	(9,322)	(36,950)
Returns	35,247	9,744	37,109
Net trading income	(367)	422	159

4. Loss per share

	Unaudited	Unaudited	Audited
	6 months to 30 June 2006	6 months to 30 June 2005	12 months to 31 December 2005
	No	No	No
Based on the retained loss for the period of £2.49m			
Weighted average number of shares:			
For basic loss per share	112,906,839	42,627,605	56,676,193
Share warrants and Options	23,312,388	1,881,693	9,930,268
For diluted loss per share	136,219,227	44,509,298	66,606,461

5. Secured Deposits/Loans

Included in cash at bank are deposits of £3.44 million that are pledged as security against short term loans of £3.01 million to a subsidiary in China. These loans are due to be repaid before 31 December 2006 and any charges against them will be released on repayment.

6. Reconciliation of movement in equity shareholders funds

	Unaudited 6 months to 30 June 2006	Unaudited 6 months to 30 June 2005	Audited 12 months to 31 December 2005
	£000	£000	£000

At 1 January	2,069	335	335
Loss for the period	(2,493)	(1,068)	(3,553)
Net exchange differences on translation of net investments	(124)	-	53
Share based transaction costs	183	-	-
Shares issued (net of issue costs)	18,755	1,742	5,234
	18,390	1,009	2,069

7. Gross Cash Flows

	Unaudited 6 months to 30 June 2006	Unaudited Pro-forma 6 months to 30 June 2005	Audited Pro-forma 12 months to 31 December 2005
	£000	£000	£000
Returns on investments and servicing of finance			
Interest received	165	-	35
Interest paid	(106)	(38)	(40)
Interest element of finance lease rental payments	-	-	(2)
Finance costs on issue of 5% Convertible Loan Notes 2006	(432)	-	(117)
	(373)	(38)	(124)
Capital expenditure			
Payments to acquire tangible fixed assets	(331)	(110)	(439)
Payments to acquire investments (excluding subsidiaries)	(3,959)	-	(2,239)
Receipts from sales of tangible fixed assets	-	-	6
	(4,290)	(110)	(2,672)
Acquisition of subsidiaries			
Payments to acquire subsidiary undertaking	(2)	(53)	(53)
Cash acquired with subsidiary	-	60	60
	(2)	7	7
Management of liquid resources			
Term deposit account balances	(1,586)	-	(2,502)
Financing			
Issue of share capital (net of issue costs)	19,408	1,729	5,207
Issue of shares in subsidiary to minority	-	-	12
New loans raised (net of issue costs)	3,322	667	5,556

Loan repayments

(5,899)	(380)	(380)
<u>16,831</u>	<u>2,016</u>	<u>10,395</u>

END