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31 July 2023

For Immediate Release

AIQ Limited

(“AIQ” or the “Company” or, together with Alchemist Codes and Alcodes International, the “Group”)

Interim Results

The Board of AIQ (LSE: AIQ) announces the Company's unaudited consolidated interim results for the six months ended 30 April 2023.

Summary

- Completed a contract to supply a non-fungible token (“NFT”) marketplace for education applications in Hong Kong
- Awarded a contract to supply a virtual data centre
- Revenue for the six months ended 30 April 2023 was £73k (H1 2022: £361k)
- Net loss for the period was £353k (H1 2022: £202k loss)
- Cash and cash equivalents of £329k at 30 April 2023 (31 October 2022: £636K)

Harry Chathli, Chairman of AIQ, said: “The first half results were in line with management’s expectations and reflect the challenging market conditions and impact of the macro-economic climate on NFT and other blockchain-based projects. We completed the delivery of our project from last year and also commenced a new contract in the first half that was completed in the second half.

“At the time of the full year results earlier this year, we noted that we were continuing to receive interest, but that the revenues would be second half weighted. We remain hopeful of signing a new substantive contract in the second half of this year, but we do not expect full revenue recognition from this contract in this fiscal year. Consequently, we anticipate revenues for the full year 2023 to be substantially below that of last year. We continue to maintain tight cost control and lower our expenditure levels. We have vacated our premises in Malaysia and are consolidating our operations in Malaysia with those in Hong Kong thereby reducing our cost level by £100k on an annualised basis. We are pleased that our supportive shareholders have extended the deadline for repayment of their loan by 12 months from its due date in 2024. Additionally, the Board is keeping all its strategic options open should the markets not turn favourable in the short- to mid-term.”

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Operational Review

During the six months to 30 April 2023, AIQ completed the delivery of a contract to supply an NFT platform. It has been built to enable art schools and education centres in Hong Kong assist their students in publishing NFTs on a blockchain platform. The Group performed the role of project manager and subcontracted the technical delivery (such that the net benefit to the Group is the margin earned on the contract).

Towards the end of the period, the Group was awarded a contract, by a new customer, to set up a virtual data centre. As with the NFT marketplace, the Group's role is project manager. The Group has delivered the initial phase of the project as planned. This comprised a feasibility study into building the data centre on three different non-cryptocurrency public blockchains, in accordance with the customer's requirements. Based on the findings of the feasibility study, the customer has decided to reevaluate its plans to build a virtual data centre. Accordingly, while the Group expects to be awarded further work from this customer under new contracts in due course, for this initial project the Group will now receive approximately 35% of the contract value announced on 27 March 2023.

During the period, the Board resolved to not renew the lease on its Malaysian office, which was due to expire in July 2023, and to formally close its Malaysian subsidiary, which is expected to occur by the end of the year. The Group's business has been primarily conducted from Hong Kong since the establishment of Alcodes International in Hong Kong and the divestment of the Group's Malaysia-based e-commerce business. Accordingly, the Group expects to recognise further cost savings of approximately £100k on an annualised basis by winding down its Malaysian operations.

Financial Review

Revenue for the six months ended 30 April 2023 was £73k (H1 2022: £361k). The revenue was primarily based on delivery under the data centre contract with a small proportion contributed by the NFT platform contract.

The Group recognised a gross profit of £71k (H1 2022: £115k), which reflects the lower revenues.

Administrative expenses were reduced to £286k (H1 2022: £392k) as the Group continued to implement cost reduction measures. However, this was offset by a net loss on foreign exchange of £121k (H1 2022: £70k gain) due to the weakening of the Pound against the Malaysian Ringgit and Hong Kong Dollar. Accordingly, operating loss was £337k (H1 2022: £207k loss).

Net finance costs were £16k compared with net finance income of £5k for the first half of the previous year. The increase in costs relates to the accrual of interest on the convertible loan notes that were issued during the previous year.

Loss before tax for the period was £353k (H1 2022: £202k loss) and the loss per share was 0.5 pence (H1 2022: 0.3 pence loss per share).

The Group had cash and cash equivalents of £329k at 30 April 2023 (31 October 2022: £636k).

Outlook

The environment for NFT and other blockchain-based projects has remained challenging as a result of the impact of the macro-economic conditions as well as the volatility in the crypto markets. During the second half of the year, the Group completed delivery of the new contract won in the first half and continues to receive interest in its services and solutions. AIQ is hopeful of signing a new substantive contract in the second half, however, it does not expect full revenue recognition from this contract in the current fiscal year. Consequently, AIQ anticipates revenues for the full year 2023 to be substantially below that of last year.

The Group continues to maintain tight cost control and lower its expenditure levels. It has vacated its premises in Malaysia and is in the process of consolidating its operations in Malaysia with its operations in Hong Kong, which is expected to reduce costs by £100k on an annualised basis.

In H1 2023, the Group had cash outflows from operating activities of £353k and its cash position is approximately £200k at the date of this report. The Board continues to monitor the Group's cash position closely. It considers the Group to be a going concern, but, as set out in Note 2 to the financial statements, has identified a material uncertainty in this regard. The Board is pleased that, as also announced today, the

Group's supportive shareholders have extended the deadline for the repayment of the convertible loan notes by 12 months from the due date in 2024. Additionally, the Board is keeping all its strategic options open should the markets not turn favourable in the short- to mid-term.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 APRIL 2023**

	Note	Six months ended 30 April 2023 Unaudited £	Six months ended 30 April 2022 Unaudited £	Year ended 31 October 2022 Audited £
Revenue	5	72,960	361,061	498,388
Cost of sales		(2,238)	(246,097)	(384,462)
Gross profit/(loss)		70,722	114,964	113,926
Other income		-	-	12,202
Administrative expenses		(286,065)	(391,791)	(682,722)
Impairment charge	8	-	-	(133,682)
(Loss)/gain on foreign exchange		(121,208)	69,985	74,031
Operating loss		(336,551)	(206,842)	(616,245)
Finance income		102	9,184	273
Finance costs		(16,399)	(4,563)	(24,934)
Loss before taxation		(352,848)	(202,221)	(640,906)
Taxation		-	-	-
Loss attributable to equity holders of the Company		(352,848)	(202,221)	(640,906)
<i>Other comprehensive income (as may be reclassified to profit and loss in subsequent periods, net of taxes):</i>				
Exchange difference on translating foreign operations		80,045	(21,110)	(2,902)
Comprehensive income attributable to equity holders of the Company		(272,803)	(223,331)	(643,808)
Earnings per share basic and diluted (£)	7	(0.005)	(0.003)	(0.010)

The accompanying notes form an integral part of these consolidated financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023**

	Note	As at 30 Apr 2023 Unaudited £	As at 31 Oct 2022 Audited £
Assets			
Non-current assets			
Property, plant and equipment		10,881	12,270
Right of use assets		23,628	73,026
Rental deposits		-	-
		34,509	85,296
Current assets			
Trade and other receivables		105,452	66,408
Cash and cash equivalents		329,364	636,459
Total current assets		434,816	702,867
Total assets		469,325	788,163
Equity and liabilities			
Capital and reserves			
Share capital	10	647,607	647,607
Share premium		6,019,207	6,019,207
Share warrant reserve	11	12,000	12,000
Foreign currency translation reserve		86,473	6,428
Accumulated losses		(6,984,154)	(6,631,306)
Total equity		(218,867)	53,936
Liabilities			
Current liabilities			
Trade payables		9,434	-
Accruals and other payables		125,388	137,714
Lease restoration provision	9	27,750	18,500
Lease liabilities		25,620	78,013
Total current liabilities		188,192	234,227
Non-current liabilities			
Convertible loan notes	12	500,000	500,000
Total non-current liabilities		500,000	500,000
Total equity and liabilities		469,325	788,163

The accompanying notes form an integral part of these consolidated financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 APRIL 2023**

	Share capital	Share premium	Share warrant reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
Balance as at 31 October 2021 (Audited)	647,607	6,019,207	-	9,330	(5,990,400)	685,744
Total comprehensive loss for the period	-	-	-	(21,110)	(202,221)	(223,331)
Balance at 30 April 2022 (Unaudited)	647,607	6,019,207	-	(11,780)	(6,192,621)	462,413
Balance as at 31 October 2022 (Audited)	647,607	6,019,207	12,000	6,428	(6,631,306)	53,936
Total comprehensive loss for the period	-	-	-	80,045	(352,848)	(272,803)
Share warrant reserve	-	-	-	-	-	-
Balance at 30 April 2023	647,607	6,019,207	12,000	86,473	(6,984,154)	(218,867)

Share premium – Represents amounts received in excess of the nominal value on the issue of share capital less any costs associated with the issue of shares.

Accumulated losses – The accumulated losses reserve includes all current and prior periods retained profits and losses.

Share warrant reserve – Amount arising on the issue of warrants during the period.

Translation reserve – The translation reserves includes foreign exchange movements on translating the overseas subsidiaries records, denominated MYR and HK\$, to the presentational currency, GBP.

The accompanying notes form an integral part of these consolidated financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 APRIL 2023**

	Six months ended 30 April 2023 Unaudited £	Six months ended 30 April 2022 Unaudited £	Year ended 31 October 2022 Audited £
Cash flows from operating activities			
Loss before taxation	(352,848)	(202,221)	(640,906)
<i>Adjustments for:-</i>			
Depreciation	50,218	117,383	123,272
Impairment charge	-	-	133,682
Loss on disposal of fixed assets	-	-	10,467
Share based payment charge	(6,000)	-	1,000
Write off tax receivable	-	-	24,493
Lease restoration cost	9,250	-	18,500
Interest income	(102)	(9,184)	(273)
Interest expense	16,399	-	24,934
Foreign exchange	1,482	(57,595)	(16,891)
Operating loss before working capital changes	(281,601)	(151,617)	(321,722)
(Increase)/decrease in receivables	(33,957)	(34,886)	103,115
Decrease in payables	(2,892)	(15,840)	(108,025)
Cash used in operations	(318,450)	(211,459)	(326,632)
Interest received	102	9,184	273
Net cash used in operating activities	(318,348)	(202,275)	(326,359)
Cash flows from investing activities			
Proceeds from sale of fixed assets	-	-	512
Net cash used in investing activities	-	-	512
Cash flows from financing activities			
Proceeds from issue of convertible loan notes	-	500,000	500,000
Interest on lease liability	(14,995)	-	(7,879)
Repayment of lease liabilities	(52,393)	(55,862)	(91,476)
Net cash inflow/(outflow) in financing activities	(67,388)	444,138	400,645
Net increase/(decrease) in cash and cash equivalents	(385,736)	241,863	74,798
Cash and cash equivalents at beginning of the period	636,459	581,618	581,618
Effect of exchange rates on cash and cash equivalents	78,641	28,158	(19,957)
Cash and cash equivalents at end of the period	329,364	851,639	636,459

The non-cash movement from financing activities is £18,500 (2022: £5,555) on account of accrual of interest on loan notes £12,500 (refer to Note 13) and share-based payment charge £6,000 (refer to Note 12).

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AIQ Limited (“the Company”) was incorporated and registered in The Cayman Islands as a private company limited by shares on 11 October 2017 under the Companies Law (as revised) of The Cayman Islands, with the name AIQ Limited, and registered number 327983.

The Company’s registered office is located at 5th Floor Genesis Building, Genesis Close, PO Box 446, Cayman Islands, KY1-1106.

The Company has a standard listing on the London Stock Exchange.

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (the “Group”).

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to seek acquisition opportunities and to act as a holding company for a group of subsidiaries that are involved in the technology sector.

The Group is an information technology (IT) solutions provider, currently focused on the delivery of blockchain platforms in Asia through the provision of IT consultancy.

3. ACCOUNTING POLICIES

a) Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 “Interim Financial Reporting” (IAS 34). Other than as noted below, the accounting policies applied by the Group in these condensed interim financial statements are the same as those set out in the Group’s audited financial statements for the year ended 31 October 2021. These financial statements have been prepared under the historical cost convention and cover the six-month period to 30 April 2023.

These condensed financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the audited financial statements for the year ended 31 October 2022.

The condensed interim financial statements are unaudited and have not been reviewed by the auditors and were approved by the Board of Directors on 30 July 2023.

The financial information is presented in Pounds Sterling (£), which is the presentational currency of the Company.

A summary of the principal accounting policies of the Group are set out below.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company balances and transactions between Group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group’s financial statements from the date that control commences until the date that control ceases.

c) Going concern

The financial statements are required to be prepared on the going concern basis unless it is inappropriate to do so.

The Group incurred losses of £0.35 million during the period and cash outflows from operating activities of £0.32 million. As at 30 April 2023, the Group had net current assets of £0.25 million and cash of £0.33 million. The Group's cash position was approximately £200,000 at the date of this report.

The Group meets its day-to-day working capital requirements through cash generated from the capital it raised on admission to the London Stock Exchange, the issue of the convertible loan notes in the period (see note 10) and from the operations of its subsidiaries.

Notwithstanding these actions, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern with the uncertainty of future trading performance giving rise to a material uncertainty over the going concern status of the Group. The Directors consider the Group to be a going concern but have identified a material uncertainty in this regard.

4. SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (the "Group") as follows:

Name	Place of incorporation	Registered address	Principal activity	Effective interest	
				30.04.2023	31.10.2022
Alchemist Codes Sdn Bhd	Malaysia	2-9, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan Malaysia	Design and development of software	100%	100%
Alcodes International Limited*	Hong Kong	Room 47, Smart-Space FinTech, Level 4, Core E, Cyberport 3, 100 Cyberport Road, Hong Kong	Software and app development	100%	100%

* Held by Alchemist Codes Sdn Bhd.

5. REVENUE

	Six months ended 30 April 2023 £	Six months ended 30 April 2022 £	Year ended 31 October 2022 £
Sale of software products	-	19,052	-
Software development income	72,960	341,263	496,296
Merchant commission income	-	746	844
Other	-	-	1,248
Total	72,960	361,061	498,388

All revenues were generated in Asia. An analysis of revenue by the timing of the delivery of goods and services to customers for the periods ended 30 April 2023, 30 April 2022 and the year ended 31 October 2021 is as follows:

	30 April 2023	30 April 2023
	Goods transferred at a point in time	Services transferred over time
	£	£
Sale of software products	-	-
Software development income	-	72,960
Cashback income	-	-
Other	-	-
Total	-	72,960

	30 April 2022	30 April 2022
	Goods transferred at a point in time	Services transferred over time
	£	£
Sale of software products	-	-
Software development income	-	360,315
Cashback income	746	-
Other	-	-
Total	746	360,315

	31 October 2022	31 October 2022
	Goods transferred at a point in time	Services transferred over time
	£	£
Sale of software products	-	-
Software development income	-	496,296
Cashback income	-	844
Other	19	1,229
Total	19	498,369

6. SEGMENT REPORTING

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Board of Directors to assess performance and determine the allocation of resources. The Board of Directors is of the opinion that under IFRS 8 the Group has only one operating segment, the sale of software and ancillary services. The Board of Directors assesses the performance of the operating segment using financial information that is measured and presented in a manner consistent with that in the Financial Statements.

All revenues were derived from Asia.

7. LOSS PER SHARE

The Company presents basic and diluted earnings per share information for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the reporting period. Diluted earnings per share are determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

There is no difference between the basic and diluted earnings per share, as the warrants and loan notes are anti-dilutive in nature and therefore the diluted loss per share has not been presented.

	Six months ended 30 April 2023	Six months ended 30 April 2022	Year ended 31 October 2022
Loss attributable to ordinary shareholders (£)	(352,848)	(202,221)	(640,906)
Basic - Weighted average number of shares	64,760,721	64,760,721	64,760,721
Basic earnings per share (expressed as £ per share)	(0.005)	(0.003)	(0.010)

8. IMPAIRMENT CHARGE

An impairment charge of £133,682 was made in the 2022 year-end accounts in respect of leasehold improvements and furniture and fixtures in the Group's Malaysian office bringing the value of those assets down to £nil on the basis that the lease would expire in July 2023.

9. LEASE RESTORATION PROVISION

	As at 30 April 2023 £	As at 31 October 2022 £
Balance b/f	18,500	-
Addition	9,250	18,500
Balance c/f	<u>27,750</u>	<u>18,500</u>

The Group has made a provision for the future costs of restoring its Malaysian office to its original specification as the lease expires in July 2023. Based on an estimation by management of the future expected costs of £37,000 to restore the premises to its original state, a further provision of 25% amounting to £9,250 has been provided in the period with the remaining £9,250 to be provided for in the second half of the year to 31 October 2023 as the Company does not intend to renew its lease.

10. SHARE CAPITAL

	Number	Nominal value £
Authorised		
Ordinary shares of £0.01 each	<u>800,000,000</u>	<u>8,000,000</u>
Issued and fully paid:		
As at 1 November 2022	64,760,721	647,607
Issue of shares in the period	-	-
At 30 April 2023	<u>64,760,721</u>	<u>647,607</u>
	Six months ended 30 April 2023 £	Year ended 31 Oct 2022 £
As at beginning of the period	647,607	647,607
Issued during the period	-	-
As at end of the period	<u>647,607</u>	<u>647,607</u>

11. SHARE WARRANT RESERVE

On 3 October 2022 the Company granted 300,000 warrants to Guild Financial Advisory (“GFA”), the Company’s corporate adviser, exercisable at a price of £0.01 for a period of up to ten years. The warrants were granted in return in part for their corporate financial services carried out for a period of 12 months whereby it was agreed that GFA would provide services for an amount of £24,000 with £12,000 being settled in cash and the balance of £12,000 represented by the issue of the warrants. As a result of this the fair value of the warrants is deemed to be £12,000 spread evenly over the 12-month period of the contract with £6,000 expensed for the six months to April 2023 and £5,000 carried forward as a prepaid expense while £12,000 was taken to a warrant reserve.

12. CONVERTIBLE LOAN NOTES

On 24 January 2022, the Company entered into an unsecured convertible loan note agreement (the “Convertible Loan Note Facility”) for a total subscription of £500,000 (the “Loan Notes”).

Under the Convertible Loan Note Facility, the Loan Notes had an expiration date of 24 January 2024 (“Expiration Date”) and can be repaid, in part or in full, by the Company on 31 December in any year prior to the Expiration Date by giving not less than 14 days’ written notice to the noteholders. All outstanding Loan Notes attract interest at a rate of 5% per annum from the date of issue (24 January 2022) to the date of repayment or conversion.

The Loan Notes shall be convertible into new Ordinary Shares of the Company at the lesser of 11 pence per Ordinary Share or the Volume Weighted Average Price of the Company’s Ordinary Shares on the London Stock Exchange in the seven-day period prior to the date on which the Loan Note is converted into Ordinary Shares. The Loan Notes shall be convertible, in part or in full, at any time from the date of issue until the Expiration Date by the noteholder giving to the Company at least one week’s written notice.

As disclosed in Note 13, post period end, the Expiration Date of the Loan Notes was extended to 24 January 2025.

13. POST BALANCE SHEET EVENTS

Post period end, as announced on 31 July 2023, the Company and the holders of the Loan Notes referred to in Note 12 above entered an agreement to extend the Expiration Date of the Loan Notes by 12 months to 24 January 2025. All other terms of the Convertible Loan Note Facility remain unchanged.