

EXECUTIVE DEPUTY CHAIRMAN'S MANAGEMENT DISCUSSION AND ANALYSIS

Dear Stakeholders,

Financial Year 2021 (FY2021) has been extremely challenging for IRIS as both the Malaysian and global economies faced severe challenges including the unprecedented impact of COVID-19 pandemic, government fiscal stress, and policy uncertainties. According to the World Bank, the global pandemic plunged the world economy into a recessionary situation, affected most of our daily lives and forced us to adapt to "the new norm" in our work, life and social interactions.

The COVID-19 crisis which started end FY2020 and continued throughout FY2021, proved detrimental to both productivity and performance of many businesses. IRIS, like many companies around the world, faced a challenging and uncertain market. As mandatory lockdowns were enforced globally, our ability to remain productive became compromised as global trade and supply chains were disrupted.

Throughout this unprecedented global pandemic, the Group demonstrated resilience and put in place robust internal processes to adapt and mitigate risks while focusing on our top 3 priorities to:



Ensure the health,
safety and wellbeing of our
employees



Manage cash flow by
implementing prudent
cost-saving measures



Ensure business
sustainability

As the impact of COVID-19 became apparent, we formed an internal COVID-19 core team to ensure that we are doing everything we can to protect the health and safety of our employees while addressing rising risks effectively to ensure delivery of our products to our customers in Malaysia and around the world.

The COVID-19 core team enforced mandatory Standard Operating Procedures (SOPs) including precautionary measures such as daily sanitisation, demarcation lines at workplace and temperature screening to ensure the health and safety of all employees, visitors and customers.

We also scheduled production operations in separate shifts and encouraged remote working whilst prioritising health and safety. Even while working from home, we further increased collaboration across the Group through various digital platforms. This ensured business continuity and close communication with our clients and business partners.

The measures implemented by governments around the world to limit the spread of COVID-19 resulted in a slump in economic activity and impacted the Group's production, project execution and supply chain. The Group's FY2021 financial performance was largely dictated by external macroeconomic factors driven by the pandemic, with lower operating income and weaker revenue.

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Consequently, we were cognisant of the potential liquidity stress that IRIS had to face and focused on managing cash flow by implementing prudent cost-saving measures. From 1 June 2020 – 31 March 2021, the Management implemented Group-wide austerity measures to rein in operating costs to ensure the long-term sustainability of our business. These measures include significant reduction in discretionary spending, hiring freeze and reducing remuneration for IRIS employees. The Board's directors also voluntarily took a 25% cut in director fees to support the austerity measures. I would like to thank my fellow Board of directors for this gesture of solidarity with IRIS employees.

Despite the unprecedented headwinds, thanks to strong individual efforts of our employees, synergistic teamwork and effective leadership from the Management, the Group secured two new major contracts. Awarded in September 2020, the first contract is to supply electronic contactless inlays required for the manufacture of Indian ePassport. The second contract won on 29 January 2021 via an open tender, requires IRIS to deliver the National Integrated Immigration System (NIISe) project for Jabatan Imigresen Malaysia (JIM).

In addition to these major contracts, IRIS was also awarded the ISO 194001:2015 Environmental Management System (EMS) certification in FY2021. Sustainability is important to ensure that Economic, Environmental and Social (EES)

considerations are integrated into the Group's business strategies to deliver value to all our stakeholders.

GROUP FINANCIAL PERFORMANCE

The Group's FY2021 performance was impacted by the COVID-19 outbreak, as were most businesses worldwide. Against the backdrop of a detrimental global pandemic, the Group recorded a revenue RM106.6 million in FY2021 compared to RM229.6 million in FY2020.

For FY2021, the Group posted Loss Before Tax (LBT) of RM9.6 million as compared to FY2020 Profit Before Tax (PBT) of RM18.4 million. Movement restrictions and closure of borders throughout FY2021 affected operations and weakened demand for ePassports. Over the various phases of the Movement Control Orders (MCOs) in Malaysia since 18 March 2020, the Group either had to suspend our business operations or limit our production operations. These various MCOs significantly impacted the overall FY2021 profit due to high fixed overhead costs.

Trusted ID (Identification) posted a lower revenue of RM104.8 million in FY2021 as compared to FY2020 revenue of RM226.4 million due to the negative effects from the outbreak of the COVID-19 pandemic and lower delivery for both ePassports and smart cards. Profit After Tax (PAT) for the division decreased by 69% to RM11.8 million compared to PAT of RM38.5 million in FY2020.

The Sustainable Development division contributed a lower revenue of RM1.7 million in FY2021 compared to FY2020's RM3.1 million since most of the projects under this division have completed. This non-core business division recorded Loss After Tax (LAT) of RM7.0 million FY2021 compared to RM4.6 million in FY2020.

IRIS is expected to continue to derive revenues from the on-going Trusted ID projects in Africa, Asia and North America regions and gain new revenue streams from our ePassport Inlay project in India and NIISe project in Malaysia. For the NIISe project, IRIS will develop a whole new integrated system for JIM to replace the current one that has been in existence for some time. It will include a host of the latest innovations in biometrics, Artificial Intelligence (AI) and big data analytics to modernize, digitize and bring best practices to our immigration operations. We are confident that NIISe will contribute positively to the earnings of IRIS during its tenure.

However, the COVID-19 crisis had affected both domestic and international economy with government restrictions, lockdown measures and supply chain disruptions. We expect the on-going COVID-19 pandemic to continue affecting the Group's performance to deliver existing sales orders and pursue new business opportunities in FY2022. Moving forward, we aim to position the Group for sustainable growth over the long term by managing risks effectively, strengthening our competencies and optimising costs.

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SUMMARY OF FINANCIAL INFORMATION

		2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
REVENUE		106,618	229,587	229,237	334,692	429,310
(Loss)/Profit before taxation		(9,569)	18,393	40,816	(122,940)	(299,795)
(Loss)/Profit after taxation		(12,865)	9,974	37,507	(112,163)	(307,408)
Total Equity attributable to owners of the Company		317,731	286,165	272,581	179,743	274,082
Current assets		234,353	247,772	266,416	266,083	457,871
Non-current assets		233,140	240,155	249,247	271,330	293,154
Total assets		467,493	487,927	515,663	537,413	751,025
Current liabilities		152,957	193,154	231,072	334,091	406,010
Non-current liabilities		19,504	29,464	34,607	59,753	104,631
Total liabilities		172,461	222,618	265,679	393,844	510,641
Net assets		295,032	265,309	249,984	143,569	240,384
KEY RATIO	BASIS					
Pre-tax (loss)/profit margin	(%)	(8.98)	8.01	17.81	(36.73)	(69.83)
Post-tax (loss)/profit margin	(%)	(12.07)	4.34	16.36	(33.51)	(71.61)
Basic (loss)/earnings per share	(sen)	(0.37)	0.46	1.40	(5.12)	(12.28)
Net assets per share attributable to owners of the Company	(sen)	10.20	9.65	9.19	7.27	12.20
Total borrowings to equity ratio	(%)	5.90	10.92	19.80	58.14	66.26

Note: Revenue, (loss)/profit before taxation and (loss)/profit after taxation represent performance of continuing operations only.

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STRENGTHENING TRUSTED ID

We are further strengthening our Trusted ID business by targeting further increase in revenue by:

Expanding our **domestic market share** in Malaysia



Leveraging on our global footprint in **34 countries**



Increasing our **global market share**



For the domestic market, the Group secured the NIISe project with a total contract value of RM1.13 billion. This immigration project is important to Malaysia because NIISe will enable JIM to achieve these objectives:

- To own a new integrated and comprehensive back-end system
- To future-proof Malaysia's immigration system by using the latest technology and best practices
- To enhance the security and sovereignty of our borders
- To provide an effective, agile and innovative system at the best value for Government of Malaysia

Our NIISe team is now focused on delivering the project's scope of work which includes testing, designing, developing, supplying, delivery, assembly, integration, data migration and integrating the entire NIISe system.

In addition to delivering the NIISe project, we continue to supply various types of ID cards to Malaysia, Brunei, Canada, Tanzania, Bhutan, Senegal, Zanzibar and Sri Lanka. In June 2021, the Group received a contract extension for the supply of 3 Million new biometric National ID Card and Voter Card for Senegal.

According to the World Bank, more than one billion people in the world do not have legal means to prove their identity. United Nation's Sustainable Development Goal (SDG) Target 16.9 ("legal identity for all, including birth registration, by 2030") is key to advance the 2030 Agenda commitment to leave no one behind and provide a legal identity for all. IRIS' Trusted ID solutions, based on the most advanced biometric technologies, help governments provide their citizens with secure,

unique and easy-to-deploy proof of legal identity.

Trusted ID is what IRIS does best. In 1998, IRIS launched the world's first ePassport in Malaysia. Since then, we have delivered more than 98 million pieces of ePassport and/or Inlay around the world. Although demand for ePassports were severely impacted by COVID-19 travel restrictions in FY2021, Allied Market Research highlighted that the global ePassport market size is projected to reach USD125.13 billion by 2028 compared to USD24.57 billion in 2019. This growth is mainly due to presence of advanced airport infrastructure in developing countries and increase in number of people travelling post COVID-19.

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STRENGTHENING TRUSTED ID (CONTINUED)

We continue to deliver ePassports / Inlays to Nigeria, Guinea, Solomon Islands and Senegal. The Group had in September 2020 expanded our global market share by securing a new contract for the supply of 15 million electronic contactless inlays (in 2ups) required for the manufacture of Indian ePassport.

In addition to growth in global ePassport market, Digital ID market is also projected to grow significantly. According to new research from Acuity Market Intelligence, COVID-driven acceleration of digital transformation has intensified the need for secure, reliable, and trusted Digital ID. Citizen and consumer embrace of "digital first" and "digital only" in the wake of pandemic safety concerns and restrictions has opened the floodgates of digitally enabled fraud. Biometric face verification and liveness detection are being widely deployed to address this unprecedented digital security threat quickly.

With global identity verification revenues projected to reach USD15 billion to USD18 billion annually by 2024, IRIS ID4Life solution is on the cusp of this Digital ID growth. Our Digital ID solution is an innovative platform for users to manage and share their Digital ID securely, conveniently and reliably online or via mobile.

CORPORATE DEVELOPMENTS

I would like to report on the following corporate developments exercise that were carried out during this financial year:

a) Private Placement exercise

The Company had on 23 June 2020 announced a proposed Private Placement exercise which involves the issuance of up to 296,628,000 new IRIS Shares ("Placement Shares"), representing up to 10% of the total number of issued shares of the Company, at an issue price to be determined and announced at a later date. Bursa Malaysia had on 7 July 2020 approved the listing and quotation of the Placement Shares to be issued pursuant to the proposed Private Placement exercise.

As of 31 March 2021, the Company had completed 3 tranches of Private Placement as follows:

DESCRIPTION	DATE OF PLACEMENT SHARES LISTED ON BURSA SECURITIES	NUMBER OF SHARES ISSUED (UNIT)	ISSUE PRICE (RM)	PLACEMENT PROCEEDS (RM)
1 st tranche	6 November 2020	75,000,000	0.25240	18,930,000
2 nd tranche	16 March 2021	60,000,000	0.31410	18,846,000
3 rd tranche	26 March 2021	15,000,000	0.31410	4,711,500
Total		150,000,000	0.28325	42,487,500

b) Acquisition of remaining 49% equity interest of IRIS Koto (M) Sdn Bhd ("IKSB")

On 3 June 2021, the Company acquired 367,500 shares or 49% of the remaining issued and fully paid-up shares of RM1.00 each in IKSB for a total consideration of RM2.00. IKSB then become a wholly-owned subsidiary of the Company.

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NAVIGATING CHALLENGES AHEAD

After a challenging FY2021, the Board and Management are cautiously optimistic on the outlook for IRIS. Uncertainties stemming from the pandemic will continue into FY2022. It is challenging to quantify the financial impact of the COVID-19 crisis on the Group's financial statements. The impact will depend in particular on the scope, duration and depth of the crisis as it continues to unfold.

IRIS will continue to mitigate as much as possible the impacts on the business by navigating the very challenging environment prudently by continued adherence to SOPs to prevent COVID-19 infection in the workplace, curtailing unnecessary expenditures, and growing in targeted segments and markets with relevant solutions. This should ensure that the Group is well placed when economic activities normalise and the industry recovers.

Although the COVID-19 crisis will still pose challenges to the Group in FY2022, we are encouraged that the Malaysian government implemented a cohesive COVID-19 National Immunisation Programme (PICK) that will support the nation's recovery. We strongly support PICK and have advised all our employees to complete their vaccinations. In addition, we also donated IRIS MyKad readers together with the Software Development Kit (SDK) to Multimedia University (MMU)'s operation as an

Integrated Mega Vaccine Delivery Centre (PPV).

We made sure that all our employees are able to get their vaccination by giving Paid Time Off for them to go to their vaccination appointments. Even as the virus continues to surge in many parts of the world, it's encouraging to see very high vaccination rates for our IRIS employees in Malaysia. Getting vaccinated is one of the most important ways to keep ourselves and our communities healthy. We will continue with our new ways of working and focus on the health and wellbeing of our employees while actively monitoring the risk landscape of COVID-19.

In the face of massive uncertainty and challenges in FY2022, our IRIS passionate and committed employees are the driving force of the company. Our dedicated employees are focused presently to deliver on the NIISe contract to the best of our abilities and in accordance to the requirements as set out in the contract. IRIS looks forward to playing our part in stimulating our nation's recovery with safer, secure and efficient border control.

With experience and expertise gained from NIISe project, IRIS aims to provide more governments around the world with an effective, agile and innovative immigration solution. At IRIS, it's our vision to support governments to make the world a safer place and building a better tomorrow together.

RESHAPE OUR
TRUSTED ID
SOLUTIONS
PORTFOLIO



DEEPEN OUR
SUSTAINABLE
AND RESPONSIBLE
BUSINESS
FRAMEWORK



EMBRACE
SUSTAINABILITY
AS PART OF
OUR DNA



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NAVIGATING CHALLENGES AHEAD (CONTINUED)

Across the Group, we will continuously focus on cost efficiency to reduce the cost of goods sold and to further strengthen our competitiveness. Our action plan includes an emphasis on productivity improvements, supply chain optimization and improving resource efficiency by reducing the consumption of materials, energy, water and waste in our production processes.

Due to the extremely challenging and disruptive operating environment, we will reassess our focus, growth priorities and reshape our Trusted ID solutions portfolio in order to increase cost efficiency and future-proof our business. In reshaping our Trusted ID solutions portfolio, we will drive growth in products and solutions where we have a clear and differentiated proposition and market opportunities. We will build an optimal mix of products and solutions that meet customer requirements and demands for safety, security and sustainability.

Trust is central to the way IRIS operates, and in these challenging times we deepened our sustainable, responsible business framework built on the tenets of good corporate governance. Guided by the MACC Act 2018, the Group has put in place adequate procedures which include Anti-Bribery and Anti-Corruption Policy, No Gift Policy, Whistleblowing Policy, and other related policies and procedures. This enables us to

partner with our stakeholders and deliver services to our customers credibly.

The Group have also embraced sustainability as part of our DNA as sustainability will be vital to economic and industrial development in the coming decades. We will continue to maintain our ISO EMS certification and implement responsible business practices. IRIS aims to design products and solutions in line with the needs of our customers while contributing to a more sustainable, safer and inclusive world.

Although there will still be challenging circumstances related to the pandemic that remains outside of our control, I hope we will continue to take care of each other, collaborate with our various stakeholders and help them navigate the current challenges. We aim to emerge stronger, more efficient and resilient as we transition into the post-COVID era.

THE BOARD AND KEY MANAGEMENT POSITIONS

I would like to formally welcome Shaiful Subhan and H'ng Boon Harnng who joined as Non-Independent Executive Directors during the year. I am confident that we have a strong, multidisciplinary Board with the right balance of skills, experience and backgrounds to steer IRIS towards a new and brighter direction.

On behalf of the Board, I extend my thanks to Dato' Poh Yang Hong, the

former President and Group Managing Director, for his contributions and leadership in laying a solid foundation for IRIS by charting a new strategic direction to strengthen our Trusted ID business and rationalising non-core businesses. His leadership and vision helped set the stage for IRIS' continued success.

NOTE OF APPRECIATION

On behalf of IRIS, I would like to express our deep appreciation to all frontliners in public services and in healthcare ecosystems who, despite the risks, continue to fulfil their responsibilities to keep all of us safe and healthy.

My heartfelt thanks to fellow Board members, to our shareholders and to our dedicated and resilient management team for their unwavering support and optimism. My deepest appreciation goes out to our clients and business partners from around the world for their trust, patience and loyalty during these unprecedented times. Together, we look forward to continuing the mutually rewarding relationship.

On behalf of the Board and Management, I would like to thank the COVID-19 core team who had worked tirelessly since March 2020 to monitor the risk landscape of COVID-19. In addition, the core team's timely communication to employees on SOPs and precautions needed, minimised the risk of infection and kept everyone working in IRIS safe.

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NOTE OF APPRECIATION (CONTINUED)

I express my appreciation to all IRIS employees for their commitment to continue delivering excellent customer service despite the numerous challenges faced during the COVID-19 pandemic.

We will all remember how this unprecedented global COVID-19 outbreak had radically changed our lives, the world, and our business. It has not been easy, but our fast response, teamwork and implemented measures will ensure that we emerge from this crisis as a stronger IRIS.

FY2022 offers renewed optimism for economic growth so let's embrace the challenges ahead together as we embark on a new journey of resilient and sustainable growth.

DR. POH SOON SIM

Executive Deputy Chairman