



Executive Deputy Chairman's Management Discussion and Analysis

DEAR STAKEHOLDERS,

FINANCIAL YEAR 2022 (FY2022) WAS ANOTHER CHALLENGING YEAR FOR IRIS AS BUSINESSES AND PEOPLE AROUND THE WORLD CONTINUE TO BATTLE AGAINST THE COVID-19 PANDEMIC AMIDST THE PERIODIC RESURGENCE OF COVID-19 VARIANTS. GLOBAL ECONOMIES EXPERIENCED VARIOUS DEGREES OF RECOVERY AND REDUCED LOCKDOWN RESTRICTIONS, WITH A FEW COUNTRIES GRADUALLY RETURNING TO THEIR RESPECTIVE PRE-COVID STATES.

The COVID-19 pandemic started end FY2020 and carried on into FY2022. Like so many other companies around the world, IRIS had an extremely challenging year for supply chain activities with delivery delays and unprecedented global chip shortage. However, we managed these challenges together as a team and turned IRIS around to achieve Profit Before Tax (PBT) of RM4.2 million in FY2022 as compared to Loss Before Tax (LBT) of RM9.6 million in FY2021.

Throughout the pandemic, our board, management and employees demonstrated resilience and worked together to rise above adversity. The Group transformed our operations by continuing our relentless focus on

top 3 priorities:

Our internal COVID-19 core team continued the Group's efforts to ensure that we were doing everything we can to protect the health, safety and wellbeing of our employees by ensuring that IRIS follows the mandatory Standard Operating Procedures (SOPs) set by the government.

Cost-saving measures continued to be a core focus in FY2022 to further improve our productivity, efficiency and cash flow. Our action plans included an emphasis on productivity improvements, supply chain optimization and resource efficiency improvements by reducing the consumption of materials, energy, water and waste in our production processes.

In December 2021, the Group completed the Private Placement via 7 tranches with 297 million new IRIS shares issued, raising RM71.2 million for the Group. The additional fund raised enabled us to fund existing and future projects as well as participate in more projects to further strengthen our income stream.

We continued to strengthen our focus on sustainability by ensuring that Economic, Environmental and Social (EES) considerations are integrated into the Group's business strategies to deliver value to all our stakeholders. The Group improved our internal capabilities and capacity

1 Ensure the health, safety and wellbeing of our employees



2 Manage cash flow by implementing prudent cost-saving measures



3 Ensure business sustainability



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to understand and implement sustainability approaches and strategies as we maintain our ISO Environmental Management System (EMS), ISO Information Security Management System (ISMS) and ISO Quality Management System (QMS) certifications.

In FY2022's challenging operating environment, we deepened our sustainable, responsible business framework built on the tenets of good corporate governance. In addition to our existing Anti-Bribery and Anti-Corruption Policy, No Gift Policy and Whistleblowing-Policy, the Group also adopted the Fit and Proper Policy to ensure a formal, rigorous and transparent process for the appointment and re-election of Directors and the appointment of Principal Officers of the Company and its subsidiaries.

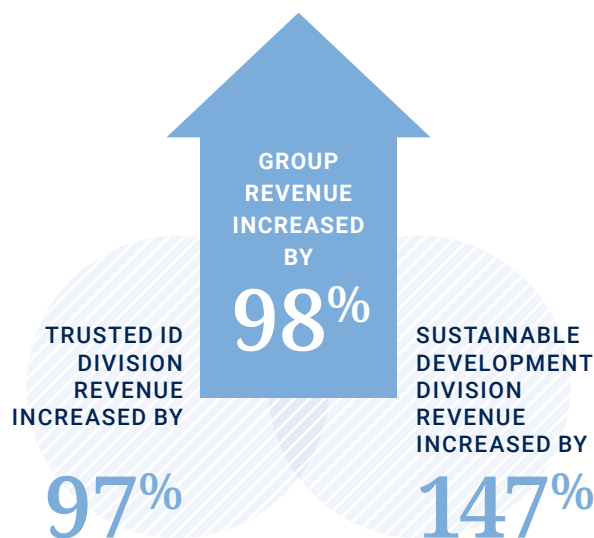
The Group also continued to keep clients at the core of everything that we do and focused on cultivating long-term client relationships. As a result, we received a contract addendum amounting to USD39.69 million from Tanzania's National Identification Authority (NIDA) and a contract extension from Senegal government for the supply of new National ID Cards and Voter Cards amounting to Euro15.99 million.

Group Financial Performance

Despite the easing of lockdowns and movement restrictions in many countries throughout FY2022, certain effects of the pandemic persist including the global supply chain disruptions caused by COVID-19 restrictions in some countries especially China.

However, due to our relentless focus on our top 3 priorities and higher ePassports delivery, the Group achieved a 98% increase in revenue of RM211.0 million in FY2022 compared to RM106.6 million in FY2021. For FY2022, the Group posted Profit Before Tax (PBT) of RM4.2 million as compared to FY2021 Loss Before Tax (LBT) of RM9.6 million.

Trusted ID (Identification) posted a higher revenue of RM206.8 million in FY2022 as compared to FY2021 revenue of RM104.8 million due to the increased demand for ePassports since borders re-opened and the recognition of revenue from an existing domestic project. Profit After Tax



(PAT) for the division increased by 78% to RM21.0 million compared to PAT of RM11.8 million in FY2021.

The Sustainable Development division contributed a higher revenue of RM4.2 million in FY2022 compared to FY2021's RM1.7 million. This non-core business division recorded PAT of RM6.2 million in FY2022 compared to Loss After Tax (LAT) of RM7.0 million in FY2021 mainly due to the reversal of accruals no longer required arising from closure of completed projects.

Moving forward, IRIS is expected to continue to derive revenues from the on-going Trusted ID projects in Africa, Asia and North America regions as well as the NIISe project in Malaysia. We are confident that NIISe will continue to contribute positively to the earnings of IRIS during its tenure.

Despite many countries transitioning from pandemic to endemic stage, we expect further challenges to deliver existing sales orders and pursue new business opportunities in FY2023. However, the Group will continue our relentless focus to deliver sustainable financial performance by expanding our market share domestically and globally while optimising the costs of operations.



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Summary of Financial Information

		2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
REVENUE		210,987	106,618	229,587	229,237	334,692
Profit/(Loss) before taxation		4,192	(9,569)	18,393	40,816	(122,940)
Profit/(Loss) after taxation		3,405	(12,865)	9,974	37,507	(112,163)
Total Equity attributable to owners of the Company		325,350	314,123	282,557	272,581	179,743
Current assets		280,000	234,353	247,772	266,416	266,083
Non-current assets		229,011	229,532	236,547	249,247	271,330
Total assets		509,011	463,885	484,319	515,663	537,413
Current liabilities		170,066	152,957	193,154	231,072	334,091
Non-current liabilities		15,447	19,504	29,464	34,607	59,753
Total liabilities		185,513	172,461	222,618	265,679	393,844
Net assets		323,498	291,424	261,701	249,984	143,569
KEY RATIO	BASIS					
Pre-tax profit/(loss) margin	(%)	1.99	(8.98)	8.01	17.81	(36.73)
Post-tax profit/(loss) margin	(%)	1.61	(12.07)	4.34	16.36	(33.51)
Basic earnings/(loss) per share	(sen)	0.11	(0.37)	0.46	1.40	(5.12)
Net assets per ordinary share attributable to owners of the Company	(sen)	9.97	10.20	9.65	9.19	7.27
Total borrowings to equity ratio	(%)	2.31	5.97	11.06	19.80	58.14

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



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Strengthening Trusted ID

We continue our efforts to further strengthen our Trusted ID business by:



For the domestic market, we executed the National Integrated Immigration System (NIISe) Contract with the Ministry of Home Affairs of Malaysia ("KDN") for a contract value of RM1.12 billion. NIISe will modernize the Immigration Department of Malaysia through the implementation of the latest and most advanced digital applications. Our NIISe team is currently working closely with KDN to develop and deliver the NIISe project effectively.

For the global market, we continue to supply ePassports / Inlays to Nigeria, Guinea, Solomon Islands, Senegal and India. We are also actively seeking opportunities to leverage on our global footprint as governments worldwide look to protect and provide secure identities to their citizens and implement efficient Automated Border Control (ABC) solutions to improve traveller management at borders.

For the global ePassport and eVisa markets, Verified Market Research projected that these markets would reach USD36.97 billion by 2028, growing at a compound annual growth rate (CAGR) of 6.62% from 2021 to 2028 while the ABC market is projected to reach USD2,515.50 million by 2027, growing at a CAGR of 17.68% from 2020 to 2027. The growths are mainly driven by the increase in number of people travelling post COVID-19, more demand for advanced verification methods and advanced airport infrastructure.

For the ABC market, Data Bridge Market Research shared that the market is expected to reach USD4,193.16 million by 2029, registering a CAGR of 18.60% during the forecast period of 2022-2029. Airport is expected to witness significant growth in the application segment of the market owing to the increase in air travels across the globe.

In addition to delivering ePassports and border control solutions, we also continue our focus to deliver various types of ID cards to Malaysia, Brunei, Canada, Tanzania, Bhutan, Senegal, Zanzibar and Sri Lanka. In March 2022, we successfully inked a contract addendum amounting to USD39.69 million from Tanzania's NIDA for the delivery of Tanzania national eID cards and services. In addition, the Group also received a contract extension for the supply of new biometric National ID Cards and Voter Cards for Senegal in June 2021 amounting to Euro15.99 million.

These contracts reflect highly on IRIS' capabilities within the global Trusted ID industry and is a testament of confidence from international governments towards our expertise. IRIS' Trusted ID solutions, based on the most advanced biometric technologies, can help ensure that ID systems are people-centric and fit-for-purpose in the digital age. These projects will drive our growth as we continue to pursue new opportunities to help IRIS maximize shareholders' value.



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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 later. Bursa Malaysia Securities Berhad ("Bursa Securities") 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 2022, the Company had completed the Private Placement via 7 tranches 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
4 th tranche	23 September 2021	1,628,000	0.22000	358,160
5 th tranche	30 September 2021	44,000,000	0.22000	9,680,000
6 th tranche	10 November 2021	27,000,000	0.18300	4,941,000
7 th tranche	24 December 2021	74,000,000	0.18500	13,690,000
Total		296,628,000	0.23988	71,156,660



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Navigating Challenges Ahead

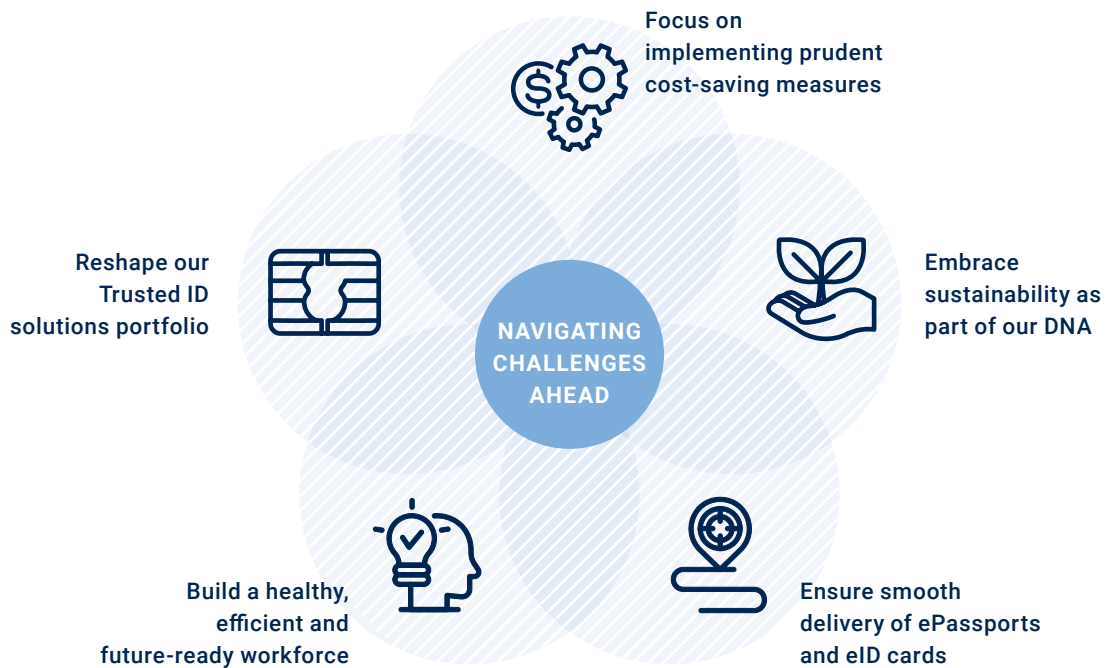
As we transition into an endemic stage in FY2023, the Board and Management are cautiously optimistic on the outlook for IRIS underpinned by the gradual recovery of the world economy. We are encouraged to see easing of broader COVID-19 related restrictions, opening of international borders and safe normalisation of business activities.

However, we are also cognizant that the global economy might slowdown amid fresh threats from COVID-19 variants, the Russian invasion of Ukraine and a rise in inflation that could endanger the recovery in emerging and developing economies. According to the World Bank's June 2022 Global Economic Prospects report, global growth is expected to decelerate from 2.9% in 2022 to 2.2% in 2023 as pent-up demand dissipates and fiscal and monetary support unwound across the world. The rapid spread of the Omicron variants indicate that the pandemic will likely continue to disrupt economic activity in the near term.

In the face of uncertainty and challenges in FY2023, the Group will continue our focus on implementing prudent cost-saving measures by streamlining production, reducing discretionary spending and optimising cost of operations especially supply chain.

It's important also to create a safe, healthy and trusting environment for our employees to motivate productivity and performance. Our dedicated and passionate employees are the driving force of IRIS and are committed to deliver our key projects including NIISe and existing international eID & ePassport projects successfully.

With the opening of international borders and expertise gained from NIISe project, IRIS aims to support governments around the world to build a safer, secure and efficient border control for their country. The Group is expecting potential revenue growth due to demand for more ePassports and better Automated Border Control (ABC) solutions.





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Navigating Challenges Ahead (Cont'd)

To navigate the extremely challenging operating environment ahead, we will also reshape our Trusted ID solutions portfolio to build an optimal mix of products and solutions that meet customer requirements and demands for digitalisation especially in support of initiatives such as the Malaysia Digital Economy Blueprint ("MyDIGITAL") and World Bank Identification for Development (ID4D).

Under the MyDIGITAL Blueprint, Malaysia's National Digital Identity (NDI) is fully expected to be implemented by 2024. With the availability of this Digital ID, review and verification of Malaysians who have a MyKad can be executed with ease and precision.

Under the World Bank ID4D initiative, World Bank aims to leverage expertise from different sectors to help countries build inclusive and trusted ID and civil registration systems especially Digital ID.

Brandessence Market Research reported that the Digital ID market is expected to accelerate at a 15.9% CAGR to reach USD60.88 billion by 2027. This growth is attributed to the increasing instances of frauds which are identity related. Demand for Digital ID have also increased due to rapid enhancements in biometric technology and growth of smartphone users all over the world.

MyDIGITAL and World Bank ID4D present huge opportunities for IRIS as we can play an important role in providing holistic, secure and relevant Digital ID solutions to build a truly inclusive and resilient digital society in Malaysia, Africa and the rest of Asia. Drawing on our experience and expertise, IRIS ID for Life (ID4L) solution is our innovative Digital ID solution that enables users to manage and share their digital credentials securely and conveniently online or via mobile.

Although there will still be challenges as we transition into the post-COVID era, we look forward to supporting and navigating our clients through the adverse impact of the pandemic and support their recovery. We are also closely managing our supply of raw materials and constantly

engaging our clients on the delivery and schedule planning to ensure that we will continue to provide smooth delivery of ePassports and eID cards to their countries.

In FY2023, sustainability will continue to be an important part of our DNA especially addressing climate change. The Group will work closely with governments and Climate Governance Malaysia (CGM), the Malaysian chapter of the World Economic Forum's Climate Governance Initiative, towards achieving a net zero greenhouse gas emissions by 2050, in line with the Paris Agreement. We will also continue to maintain our ISO EMS certification and implement more sustainable business practices.

After two years of pandemic, society is gradually adapting and living alongside COVID-19. It is difficult to predict when the effects of the COVID-19 pandemic will start abating and the global economic outlook remain uncertain. The Group is hopeful for a gradual recovery, but we are also prepared for a prolonged impact.

Moving forward, we strengthen our resolve to deliver sustainable returns, while creating long-term value for all stakeholders. This will be driven by efforts to build a healthy, efficient and future-ready workforce, improve cost-efficiencies, reshape our portfolio, serve our clients credibly and play our part as society recovers from the pandemic.



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The Board and Key Management Positions

I would like to formally welcome Dato' Ng Wan Peng and Mr Chia Jen Wen who joined as Independent Non-Executive Director and Chief Operating Officer for Special Projects respectively during the year. I am confident that these new members together with the existing members of the Board and Key Management will continue to drive IRIS' future growth.

Note of Appreciation

Although we faced strong headwinds and challenges in FY2022, we managed to achieve positive results by working effectively together with all our stakeholders – the Board, Key Management, IRIS employees, business partners, clients, suppliers, shareholders and the communities in which we operate.

On behalf of IRIS, I would like to thank all the unsung heroes of the COVID-19 pandemic especially the medical frontliners and government agencies for their exemplary execution of our national immunisation programme. Their gallant efforts and dedication have contributed to the recovery and enabled Malaysia to transition to endemic stage.

I would like to extend my sincerest appreciation to fellow Board members and resilient management team for their optimism and unwavering support as we strive for growth.

My heartfelt thanks to all our clients and business partners from around the world for your support and for continuing to place your trust in our relationships. Let us build a more sustainable and resilient future together.

On behalf of the Board and management, I express my appreciation to all IRIS employees and suppliers for their resilience in navigating through yet another challenging year by working together to continue serving the needs of our clients.

I would also like to thank the COVID-19 core team for their unbridled dedication, commitment and vigilance since March 2020 to monitor the risk landscape of COVID-19. The team is still diligently working to ensure that everyone in IRIS is safe, healthy and productive by minimising the risk of COVID-19 infection.

FY2023 offers renewed optimism for a strong recovery. As we forge ahead into FY2023, I am confident that we have the right strategic focus, people and resources to futureproof our business and ultimately strengthen our position as one of the leading global companies in Trusted ID.

I look forward to a better year as we embark on the path to recovery. Together we are accelerating towards a sustainable future. Thank you.

Dr. Poh Soon Sim
Executive Deputy Chairman