

## Poor governance of GLCs to blame: Managed by some people of questionable integrity and knowledge

Published on Daily Express: Tuesday, June 10, 2025

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Kota Kinabalu: Many of the 250 GLCs continue to lose millions of ringgit yearly. In Kota Kinabalu alone, most of the failed big projects are GLC joint ventures with non-Sabahan companies.

“What it tells us is that all these GLCs have very, very poor governance and this is the whole issue in Sabah. They are managed by some chairmen and board of directors who are of questionable integrity or knowledge. So things just roll along without good performance.”

“If all or even 75 per cent of GLCs are doing well, the State government should have been receiving billions of ringgit in term of returns every year because the assets controlled by the GLCs are in the hundreds of billions of ringgit,” said Datuk John Lo, retired banker and advisor to the State Government in his role in the Sabah Economic Advisory Council (SEAC) as well as the Institute for Development Studies (IDS).

“Even if you take three or four per cent returns, we should be getting at least three, four or five, or six billion.”

He shared his opinions in a “Sabah Voices to Action” podcast with former Sabah Law Society President Datuk Roger Chin with Kopi Tiam Council hosts Adi and Haffisz organised by NGO Sabar recently on “Economic Imperative on Stringent Governance for Sabah’s GLCs”.

Lo said these GLCs have failed to deliver decent returns from their assets. 5 per cent is acceptable and 10 per cent is considered good. If only the GLCs can generate 5 per cent or better from their assets, the Sabah Government would have several more billions of dividends each year!

He said 5 per cent return on assets shouldn’t be an issue as the cost of capital assets like land is practically free. Private sector can generate much better than 5 per cent even though they have to pay for land at market prices and to service interest for loans.

Compare this to the RM143m the Sabah Government received from the few performing GLCs, of which RM50m was from SMJ Energy.

Lo said Johor’s KPJ HealthCare Bhd with 43.38 per cent owned by Johor Corp and listed on Bursa Malaysia with a total share value RM1.96 billion, is an example for Sabah’s GLCs to emulate.

“KPJ HealthCare Bhd can deliver more dividend than all Sabah’s GLCs Profit with more than RM350 million!”

Sabah GLCs are also very fond of signing JVs with non-Sabahan companies for whatever reason.

"We need to cultivate homegrown businessmen rather than making or adding money to some non-Sabahan entities instead of within Sabah," Lo said.

"My point is this, if the GLCs are successful, we could have listed on Bursa Malaysia – we don't need to raise so much government funds.

"Number two, we don't need to depend on the Government budget much. We can raise a lot of money by the billions by going to the market.

Datuk Roger Chin said the traditional type of JV is literally over a piece of land. What happens is that the GLC ends up with 10 shoplots as an example.

"If the GLC had developed the prime piece of land, say in Kota Kinabalu, by itself, it would have gotten a lot more money and assets.

"I understand it takes a lot of money to develop the project. The GLC may not have the funds, but funds could have been raised by other ways.

"I have always found it amazing how they can just settle for 10 shoplots. Looking at all the JVs signed, you will realize that is actually like that." Lo adding to Roger, said:

"If you have a piece of real estate that is very valuable, why does that GLC need to enter into a JV with somebody? They could have easily monetised this.

"You can actually raise funds because you already got a very valuable asset. Why do we need another company in the real estate business to come in? We have a lot of Sabahan developers who can do it. Now why do we need to enter into a JV with these people from outside?"

Roger: "For me, GLCs have a purpose. They are for industries or sectors that no one wanted to go into. Like a milk factory or a cement plant.

"They should only be in sectors where the private sector is not better than them. So they have to grow to be better than the private sector in these industries." According to Lo, in Sabah two things have been happening for years.

"GLCs are killing the private sector in many areas.

"Our private sector have already been more or less wiped out. Our private sector has no chance to really develop.

Worse is that with change of governments, one of the first victims will be the private sector players.

"Oh, you supported the last government so I kill you. Our political leaders they must stop this.

“We cannot have economic growth on a sustainable basis if you keep killing your own Sabahan entrepreneurs. More so, you kill Sabahan entrepreneurs and bring in outsiders. This is very, very serious. The mindset must change.

“Very simply put, if the GLCs belong to the government, then there is clearly a conflict of interest going on.

“The conflict is that I will support the ones that I own. I will give the ones that I own more of a leg up than it should, and therefore making it unfair for the private sector.

That’s how it distorts the market,” said Roger.

“It is bad because policies will be tailored to favour the GLCs rather than the whole private industry. That’s how it distorts the market and the private sector suffers because of that,” Chin explained.

He called for a Procurement Act that will be a game changer to equalise the playing field distorted by government’s preference or overzealous enforcement of Bumiputra policies.

“Of course, all GLCs can be turned around! Nothing is impossible. All that is needed is political will and political courage. Hajiji (Chief Minister) has started the ball rolling. There are capable Sabahan officers and professionals who can turn around the GLCs!”

“For the first time in Sabah with Hajiji as CM and Masidi as Finance Minister, we have the political courage. The abuses, losses and misgovernance of GLCs have been swept under the carpet for too long. Hajiji has appointed Masidi to be in charge of all GLCs.”

“Sabah Voices to Action - Shaping Sabah’s Future Together” is a citizen-driven, non-partisan initiative running from March to June 2025, dedicated to amplifying Sabahans’ voices, fostering meaningful discussions, and shaping policies on education, healthcare, public infrastructure, and good governance.

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