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The power of AI

The Star, Malaysia



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By DANIEL KHOO
danielkhoo@thestar.com.my

YTL Power International Bhd has long been synonymous with the power generation business in Malaysia.

That is all set to change as the company embraces artificial intelligence (AI) and delves into data centres (DCs).

Part of that plan includes the listing of its DC business on Bursa Malaysia, potentially by next year.

Managing director Datuk Yeoh Seok Hong says the listing would give YTL Power access to equity capital needed to support a larger buildout of DCs, computing infrastructure and AI services.

Asked if AI could eventually surpass power generation in size, he replies: "Of course."

"We are no longer a utility business," Yeoh tells *StarBiz* 7, adding that there will be five layers to YTL Power's AI push.

The five layers include energy and basic utilities that will power these DCs, followed by the physical DCs required to house computing equipment.

Above these are the graphics processing units (GPUs), servers and cloud platforms that generate computing power, followed by large language models.

Finally, there is the applications that businesses, governments and consumers use.

The group owns power and telecommunications businesses, develops and operates DCs, has become an AI cloud service provider, created the Malaysian-built *Ilmu* language model and is applying AI through its businesses such as Ryt Bank, an AI-powered digital bank.

According to Yeoh, this provides YTL Power with an opportunity to capture value from more than merely renting DC space to global technology companies.

The group plans to develop as much as 2,000MW of DC capacity over the next five years.

At its 1,700-acre DC park in Kulai, Johor, approximately 500MW has been built, of which about 300MW is fully taken up by tenants, he says.

"People are scrambling to take the rest. The point is, they are short of DCs. Everybody wants DCs, like, yesterday," he says.

YTL Power expects to add about 200MW of contracted capacity annually from its present base, supported by demand from hyperscale technology companies seeking locations capable of accommodating their computing infrastructure.

Yeoh believes Malaysia is also benefitting from difficulties faced by DC developers in other markets. At the same time, demand for AI computing continues to grow, requiring more buildings to house advanced chips and servers.

"Where is their chipset going to go? The chipset has to have a house," Yeoh says.

"They are asking Malaysia to help build the house. This would also directly increase inbound investments into the country which will improve the country's GDP growth."

However, Yeoh believes electricity availability could increasingly become the limiting factor determining how much of this

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opportunity Malaysia can capture.

He points to a global shortage of gas turbines as countries race to add generation capacity to meet rapidly growing AI-related electricity demand.

Yeoh, citing reports on GE Vernova's recent earnings call, points out turbines ordered today may only be delivered around 2031, potentially pushing the commissioning of new generating capacity several years further out.

"Malaysia must quickly solve this problem of getting turbines and build more power plants. Otherwise, we will miss out on the economic growth, not to mention the AI opportunities," he says.

This is also why he considers YTL Power's traditional electricity business to be the foundation rather than a competing business to its AI ambitions: without sufficient generation capacity, the subsequent layers of the AI economy cannot expand.

Yet, developing capacity on this scale will require funding beyond YTL Power's existing resources.

The group is working with RAM Rating Services on a sukuk financing programme for the DC operations, which Yeoh expects to be completed within the next few months.

Debt financing will be followed by an equity raising through the proposed listing.

While several overseas exchanges had previously been considered, Yeoh says YTL Power's preference is Bursa Malaysia.

"So far, we only have the KL (Kuala Lumpur) stock exchange in mind. We have always been loyal. Even if 90% of our business has been overseas, we have always kept our domicile and headquarters in Malaysia," he says.

The amount to be raised has yet to be determined.

Yeoh also sees a listing on Bursa as a way of extending the economic impact of the DC industry into Malaysia's capital market.

A sufficiently large listed vehicle, he says, could attract international investors seeking exposure to the expansion of the AI investment theme here.

The listing would come as the DC operations begin to establish



Yeoh: DCs should be in designated DC parks with centralised electricity and water facilities, which means they can be designed more effectively and resources can be shared. — YAP CHEE HONG/The Star

■ AI to be bigger than YTL Power's power generation segment

■ Eyes debt and equity markets for funds to expand DC business

■ Yeoh confident its AI offering will go beyond just FDI numbers



themselves as a distinct contributor to YTL Power.

The group recently started reporting DCs as a separate business segment, reflecting their growing significance, with the division contributing a small but rising share of revenue and profits in the latest financial results.

Yeoh says earnings should become more visible from next year as existing investments and contracted capacity move into operation.

The group's agreements with hyperscale customers can run for between five and 15 years, providing recurring foreign-currency revenue over the lease period.

He says total revenue across

the life of some contracts could amount to about twice the original capital investment, depending on the length and terms of the lease.

YTL Power also considers itself the first Malaysian-owned operator to meet the requirements needed to lease DC capacity directly to major hyperscale customers, rather than merely serving as a contractor constructing facilities for foreign owners.

Beyond leasing buildings, Yeoh sees the GPU and AI cloud layer as the larger business opportunity.

YTL Power has been certified as an Nvidia Exemplar Cloud Provider, enabling it to provide AI cloud computing services

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using Nvidia infrastructure. Yeoh describes this as an important step because the investment in GPUs, servers and computing equipment can be several times greater than the cost of the buildings that house them.

This means the real commercial opportunity may eventually lie in selling computing capacity and AI services rather than the property component of DCs alone.

"The DC is only one part of it. Are you talking about the property side, or the AI factory, the GPU and the cloud business?"

"This is a new big business. The entire five layers is the real business with many economic

spinoffs and job opportunities to be had," Yeoh adds.

Misconceptions of data centres

The rapid expansion of DCs has drawn criticism over their consumption of electricity and water, limited operational employment and the costs of building the infrastructure needed to support them.

Yeoh, however, rejects the notion that DC operators are receiving subsidised electricity and water from the government.

He says Tenaga Nasional Bhd introduced a separate DC electricity tariff in June last year that is approximately 50% higher

than the tariff charged to conventional industrial and commercial users.

"The industrial tariff is about 40 sen. The DC tariff is 60 sen. Essentially, DCs are paying a higher tariff," he says.

He adds that DC operators must sign electricity supply agreements that commit them to paying for an agreed level of power, whether or not all the capacity is consumed.

"The prevailing narrative today is that water and electricity are being subsidised to the DCs – this is not true.

"The fact is that the DCs are giving more money and more revenue to TNB," he says.

Yeoh says similar arrange-

ments apply to water supply, where DC operators are required to commit capital and guarantee usage before receiving access to additional capacity.

In his view, the higher charges can support the development of new utility infrastructure rather than impose an uncompensated burden on existing consumers.

He nevertheless agrees with one criticism of the industry: DCs should not be developed close to homes.

"They should be in designated DC parks with centralised electricity and water facilities, which means they can be designed more effectively and resources can be shared," he says.

"Why should DCs be in resi-

dential areas? There is no advantage there."

He says YTL Power's Kulai development is self-contained, includes solar-generation facilities and is located away from housing areas.

The larger response to concerns about limited job creation, however, lies in whether Malaysia can develop businesses above the physical DC layer.

Yeoh argues that the country now has the infrastructure, computing capacity and language models needed to build locally controlled AI applications for education, healthcare, transport and government services.

He says this could create opportunities for Malaysian programmers and technology professionals.

For Yeoh, this application layer represents the next stage of the industry's development.

Once the underlying electricity, DCs, computing capacity and language models are established, businesses and government agencies can begin building services on top of them.

He feels that since locally developed AI applications could emerge with the availability of infrastructure, it creates an economy that extends beyond engineers maintaining DC facilities.

It could also support what Yeoh calls sovereign AI: systems governed by Malaysian law rather than relying entirely on platforms subject to the US or China's jurisdiction.

Once Malaysian applications are developed on locally controlled computing infrastructure and language models, he believes the services could potentially be exported to other developing countries concerned about control over their data.

Its Ryt Bank business provides an early example of how YTL Power intends to take AI from the infrastructure level to consumers.

Yeoh says the digital bank has accumulated about 1.4 million customers since its launch and has introduced additional products, including investment services.

The bank has yet to reach break-even, but he says its technology platform has proven usable and capable of being expanded.

"The biggest cost of a bank is building the system. That amounts to hundreds of millions of ringgit in investment.

"But the good news is that the product of our investment is proving that it is good and scalable," he says.

The critical test for YTL Power will therefore not be merely how many megawatts it can build.

It will be whether the group can successfully climb from supplying electricity and property into computing, cloud services, Malaysian AI models and commercially useful applications.

If that transition succeeds, power generation may eventually become only the first layer of a much larger business.

For Yeoh, YTL Power's arrival in the AI economy is no longer an ambition confined to future plans.

"People say, 'I want to do this, I want to do that'. But for us, it has arrived. That is the difference," he says.