

Alibaba CEO: Yahoo knew of plan to divest pay unit

June 2 2011, By RYAN NAKASHIMA , AP Business Writer

(AP) -- The head of the Chinese Internet company that has become tangled in a boardroom battle with major stakeholder Yahoo Inc. said his decision to split off a key online payment service into a separate entity controlled only by Chinese citizens should not have come as a surprise.

Jack Ma, the chairman and CEO of Alibaba Group, said at the D: All Things Digital conference that the option - deemed necessary to ensure it was licensed by Chinese regulators - had been discussed for three years and the board was well aware of the possibility. Yahoo owns 43 percent of Alibaba Group.

Since Yahoo informed investors of the [spinoff](#) of the Alipay online payment system in a May 10 securities filing, Yahoo shares have dropped about 15 percent, wiping \$3.5 billion off its market value.

Ma said he had to take responsibility for the decision because otherwise the payment system, called Alipay, would have been destroyed and Alibaba along with it. Ma now controls the Alipay payment system.

"We've been discussing that for over three years, so it's impossible that the board does not know that," Ma said. "Somebody has to take responsibility. Somebody has to take the leadership to move things ahead. ... If we do not get the license, Alipay's gone, Alibaba's gone."

Yahoo has been pressing Alibaba to compensate it for losing the asset. Last week, Yahoo [CEO](#) Carol Bartz reassured stock market analysts that

Yahoo will be "appropriately compensated" for the loss of Alipay from its [investment portfolio](#).

Ma said settlement talks between Alibaba, Yahoo and another Alibaba [investor](#), Japan's Softbank Corp. are complicated, "like peace talks at the United Nations," but said he was optimistic they would reach a deal. He said all parties had agreed that Alipay should get a license.

He denied accusations that he had essentially stolen the asset for his own benefit.

He said that he would prefer to balance the ownership of the company, suggesting it ought to be more Chinese, especially since he disagrees with major shareholders on the direction of the company. He said he wanted to take back some shares to make sure the company is "getting healthy."

"Alibaba is such a huge company and the management and the co-Chinese partners are only very small," he said. "Japan's big, and the U.S. is big. So if we can do something to adjust that, I would be very happy."

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