Alibaba to buy China mall operator in $2.6bn plan

SHANGHAI - Chinese e-commerce titan Alibaba will take control of domestic department store Intime through a $2.6 billion privatisation scheme, the companies said Tuesday, sending shares of the mall operator surging.

© AFP/File | Alibaba is China's dominant player in online commerce, with its Taobao platform estimated to hold more than 90 percent of the consumer-to-consumer market

Alibaba and Intime founder Shen Guojun have together offered to pay HK$10 per share to buy the shares they do not already own of the Hong Kong-listed chain.

The deal will increase Alibaba's stake from 28 percent to 74 percent after it first invested $692 million in the firm in 2014. Shen will take the other 26 percent. News of the deal sent Intime's shares soaring 35 percent to HK$9.49 in Hong Kong on Tuesday.

The maximum cash required for the proposal is expected to be HK$19.8 billion ($2.6 billion), the statement said.

The deal will see Alibaba expand further into physical stores, which founder Jack Ma envisions integrating with the company's online platforms and logistics network.

The move came after Ma -- China's richest man -- met US President-elect Donald Trump in New York Monday to discuss how Alibaba can help create one million US jobs by enabling small businesses to sell goods to China and Asia.

Alibaba is China's dominant player in online commerce, with its Taobao platform estimated to hold more than 90 percent of the consumer-to-consumer market, while its Tmall platform is believed to have more than half of business-to-consumer transactions.

The deal shows that department store chains "are still relevant and of value" to e-commerce players, Catherine Lim, analyst at Bloomberg Intelligence told Bloomberg News.

"We could be seeing renewal of a sunset industry," she added.

Alibaba chief executive Daniel Zhang said in the statement that "bricks-and-mortar businesses will be able to create value for consumers if they are integrated with the power of mobile reach".

Nearly 80 percent of its business comes from mobile sales as of September, Alibaba said in the statement. The offer represented a 54 percent premium over the two-month average closing price before shares were suspended in December.

Source: AFP