

# China's hottest phone? Here's the upstart chasing Xiaomi

BLOOMBERG

Xiaomi Corp became one of the world's most valuable startups by selling cheap, feature-packed smartphones to its home market of China. OnePlus is trying to match that success by doing the opposite.

Shenzhen, China-based OnePlus sold more than a million units of its debut device, the One, last year by favoring overseas markets such as US, the UK and India. Almost two-thirds of those phones were shipped abroad, where a \$299 price tag, an invite-only sales system and an easy-to-pronounce English name fostered early buzz. The company expects to more than triple sales this year.

"We are going to be a lot more aggressive in our international expansion," Pete Lau, OnePlus co-founder and chief executive officer, said in an interview. "Some companies look at overall sales volume. We look more at word of mouth."

OnePlus's early push abroad shows the growing confidence Chinese smartphone makers, including Lenovo Group Ltd. and Huawei Technologies Co., have in the broad appeal of their devices. Xiaomi and now OnePlus are showing they can co-opt supply chains set up by giants such as Apple Inc. and Samsung Electronics Co. and sacrifice profit margins to flood markets with affordable, attractive phones.

Having a brand name that's accessible in Western countries helps too.

"OnePlus has been catering to the overseas market from the beginning rather than bolting it on later as an afterthought," said Bryan Ma, a Singapore-based analyst at research firm International Data Corp. "They are arguably one of the few Chinese vendors that isn't often perceived as being Chinese."

If OnePlus triples sales to more than 3 million in its first full year of sales, it would be the fastest growth by a local hardware maker since Xiaomi shipped more than 7 million devices 2012.

Shares of rival vendors fell, with Lenovo

tumbling 2.9 percent to close at HK\$11.30 in Hong Kong trading. ZTE Corp. dropped 0.9 percent and Coolpad Group Ltd. lost 0.7 percent, compared with a 0.75 percent decline in the benchmark Hang Seng Index.

Geography aside, OnePlus hews closely to the formula used by Xiaomi, which IDC said shipped the most smartphones in China last year. Both companies focus on online, direct-to-consumer sales and deliver affordable hardware with premium specifications.

The OnePlus One features a Qualcomm Inc. Snapdragon 801 processor and a 5.5-inch screen. The device costs about half of the \$595 a US visitor to Wal-Mart Stores Inc.'s online shop would pay for an unlocked Samsung Galaxy S5 with similar hardware. It runs on CyanogenMod, a version of Google Inc.'s Android operating system adapted by Cyanogen Inc.

Such features convinced Naveen Rattu, an engineering student in Chandigarh, India, to trade his Samsung Galaxy S Duos for a One.

"I heard about it from a friend and then I searched the Internet extensively," Rattu, 22, said. "I had to choose a mid-range Android phone providing me the best specs. The camera and Cyanogen are its pros."

OnePlus devices are made by Guangdong Oppo Electronics Co., the Dongguan, China-based maker of smartphones and Blu-ray players where Lau and co-founder Carl Pei worked before striking out on their own.

The pair set up OnePlus in December 2013 with three former colleagues and investments from Oppo shareholders. While Lau declined to provide details on the company's backers and valuation, he said OnePlus was not a spinoff and had received no direct funding from Oppo.

OnePlus started out by selling only to people who had received an invitation, allowing it to control production while creating exclusivity.

"It's all about scaling," Pei said at OnePlus's Shenzhen headquarters. "Every piece of excess

inventory puts us at a loss."

You get invites by participating in contests or promotions or from friends who bought one first. An accompanying social-media campaign garnered more than 1.1 million likes on Facebook.

The company originally expected to ship about 50,000 units in the first year, Lau said in the Feb. 16 interview. With plans to sell as many as 5 million devices this year, OnePlus last month began holding weekly open sales.

"If we only sell 3 million devices but keep the word of mouth, then we will have had a successful year," Lau said. "We have situations where we slow down the sales to let other aspects catch up, like service."

Three million is well short of the 100 million devices Xiaomi expects to sell this year. The Beijing-based company focused on its home market for almost three years before pushing into India, Indonesia, Malaysia, the Philippines and Singapore, among others.

OnePlus must convince people it's got more to say than "Me, too," said Sandy Shen, a Shanghai-based analyst with Gartner Inc. China's smartphone market is crowded with hundreds of competitors including Coolpad, Meizu Technology Corp. and ZTE.

"They may be able to get some fame but it may not be long-lived," Shen said. "It is one of the followers of Xiaomi, trying to emulate its design and marketing strategy. I don't see anything special."

Joy Han, a spokeswoman for Xiaomi, declined to comment on OnePlus. Xiaomi announced in December that it was valued at \$45 billion, beating Uber Technologies Inc.'s \$40 billion.

OnePlus's overseas focus will be an advantage as an increasing number of companies fight for a share of China's maturing market, said Jessica Kwee, a Singapore-based analyst at researcher Canalys. The resulting consolidation "will be particularly hard on smaller vendors," Kwee said.

"OnePlus has a chance to survive, if they can get their international strategy right," she said.

# Lufthansa profits to take off again in 2015

AFP, Frankfurt

German airline Lufthansa said Thursday it expects to see a "tangible" improvement in its underlying earnings this year after profits nosedived in 2014.

"Lufthansa expects to post a tangible improvement in its operating result, though this will continue to be saddled by fleet re-equipment project costs," the airline said in a statement.

The carrier said it expects earnings before interest and tax (EBIT) to amount to "over 1.5 billion euros" (\$1.6 billion) in 2015, "a substantial improvement on the 2014 group operating result." EBIT for 2014 amounted to 1.2 billion euros.

Last year, Lufthansa's profits nosedived, hit by various factors, including changes in the value of a convertible bond it had issued in 2012, and losses on its options for fuel price hedging.

Strike action by its pilots also weighed on earnings.

Lufthansa's net profit amounted to just 55 million euros in 2014, down from 313 million euros a year earlier, while revenues were unchanged at 30 billion euros.

Strike costs totalled 62 million euros in November and December alone and 232 million euros for the whole year.

"Our results for 2014 show us clearly where we currently stand," said chief executive Carsten Spohr.

"On the one hand, all the business segments are profitable and ... we achieved our projection in a far-from-easy year. At the same time, though, with our high investments in modern aircraft and premium services, we simply have to further increase our operating profit. For this we need competitive structures; and that's what we continue to consistently work on," Spohr said.

# France stuck in deflation

AFP, Paris

The French economy, the second largest in the eurozone, remained stuck in deflation in February, according to official figures published Thursday, as the European Central Bank launched an anti-deflation programme.

Consumer prices declined by 0.3 percent in February compared to the same period last year, the national statistics office said in a statement.

This followed a 0.4-percent decline in annualised prices in January, the first time in five years that the French economy had slipped into deflation.

The pattern of falling prices is making life

difficult for the Frankfurt-based ECB, which aims to keep inflation "close to, but below" two percent.

Earlier this week, the ECB set out its huge bond-buying programme, an audacious and controversial scheme to ward off deflation and stimulate growth in the eurozone.

Falling prices sounds like it should be positive for consumers and the economy.

But economists fear deflation almost as much as rampant inflation because shoppers tend to put off purchases in the belief they may be cheaper in the future.

This leads to a spiral of ever weaker demand, slowing the economy and pushing up unemployment.



Toufiq M Seraj, managing director of Sheltech, and QM Shariful Ala, managing director of Delta Brac Housing Finance Corporation, exchange documents of a deal at a programme recently. The buyers of 184 apartments of Sheltech Bitihka will get exclusive home loans from the housing corporation.

## Land grabbers target KEPZ

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Contacted, Mohiuddin Ahmed, officer-in-charge of the police station, said the chairmen of two local union councils were made the prime accused in all the complaints, but police have found that neither of them resides in the area. Rather, they live in the port city, he said. "We are investigating whether the accused have any connection with the incident. Then the cases will be filed," he said.

Ahmed said they are yet to know whether the "disputed lands" are inside the graveyard or not.

KEPZ was developed by Youngone Corporation, a South Korean company engaged in the manufacture and distribution of sportswear and shoes. More than 70 foreigners, mostly Korean, reside in the KEPZ, which employs about 10,000 workers and staff members.

"The foreign nationals, workers and staff members are concerned about the situation," Saadat said. KEPZ has developed 1,165 acres of land so far, built 24 kilometres of roads and constructed 22 factory buildings. The development work of the zone is scheduled to be completed by 2019.

## Slash corporate taxes: FICCI

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However, Bangladesh would continue to be a leading apparel producing country because of its strength in value addition, the minister added.

Muhtith also praised Prof Muhammad Yunus, saying the Nobel laureate's idea of giving collateral-free loans to rural borrowers reduced poverty, empowered women and transformed the economy.

Raihan Shamsi, chief executive officer of Accenture Bangladesh, said awareness among public officials about the country's immense potential in outsourcing business has to be raised so they look at the industry in the same spirit as the government does.

## Look beyond garment: EU trade adviser

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Sakhawat Abu Khair, president of BGCCI, agreed that Bangladesh's trade policy is somehow concentrated on only the garment sector. He said his association will lobby for footwear and agro-products to get duty benefits from the EU.

BGCCI is one of the biggest bilateral business chambers in Bangladesh. It has 600 member companies from Bangladesh, Germany and Europe.

Daniel Seidl, executive director of BGCCI, and Magnus Schmid, programme coordinator of Promotion of Social and Environmental Standards in the Industry project in the GIZ Office, also spoke.

## Pangaon terminal still shunned by businesses

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Both of them, however, hope that the route would be viable in time with some development work.

CPA Chairman Nizamuddin Ahmed said they already proposed to the shipping ministry for revising the feeder costs and tariffs at the terminal and the ministry would take decision in this regard soon. The three vessels have three scheduled trips a month but businesses are not interested in using the route, according to port officials.

## BB relaxes banks' provisioning rules for mutual funds

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In case of open-ended mutual funds, banks will not have to provision losses against their investment if the cost price is equivalent or lower than 85 percent of the market value or NAV on current market price.

If the loss exceeds the ceiling of 85 percent, banks will have to keep provision by deducting the 85 percent of NAV on current market price from the cost price of the unit.



MA Rahim, vice chairman and group CEO of DBL Group, and Olaf Handloegten, director of GIDRM, sign a deal at Bangladesh Fire Service and Civil Defence Training Complex in Dhaka on Wednesday. DBL Group and GIZ will establish a mini fire brigade.

# China central bank to maintain prudent policy

REUTERS, Beijing

China has no need to change its prudent monetary policy stance, central bank governor Zhou Xiaochuan said on Thursday, after a raft of data suggested the world's second-largest economy lost further momentum early in the new year. "The new normal condition is not special. There are problems, (but) this does not necessarily require a new monetary policy formula," Zhou told a news conference during China's annual parliamentary session in Beijing.

Money supply growth is appropriate, while policy adjustments have kept liquidity levels at appropriate levels, Zhou said.

For more highlights from the press conference and additional comments, see

Data released so far for early 2015 show the economy may already be at risk of missing the government's newly-minted growth target of around 7 percent for this year, which itself would mark a quarter-century low. Leaders have described the target as the "new normal", acknowledging pressures on growth while reiterating their commitment to reforms.

Growth in investment, retail sales and factory output all missed forecasts in January and February and fell to multi-year lows, leaving investors with little doubt that the economy is in need of further support measures. Exports picked up in the first two months but imports slid some 20 percent, pointing to persistent weakness in the economy, while deflationary pressures in the factory sector have intensified.

New loans in January and February combined were well below the same period in 2014, though they easily beat expectations for February alone.

China is likely to cut interest rates or reserve requirements again if consumer inflation drifts below 1 percent, a member of the central bank's monetary policy committee told Reuters on Wednesday, as he ruled out more support for the sagging property market.

The central bank has cut interest rates twice since November, and in early February reduced the amount of cash that banks must hold as reserves (RRR), freeing up fresh liquidity to flow into the economy to offset rising outflows of capital.



Syed Rafiqul Haq, deputy managing director of Mutual Trust Bank, exchanges documents of a deal with Syed Mazharul Haq, director of Fareast Knitting and Dyeing Industries, at a programme recently. The employees of Fareast will enjoy payroll banking services from the bank.