Huawei says revenue surges despite US sanctions

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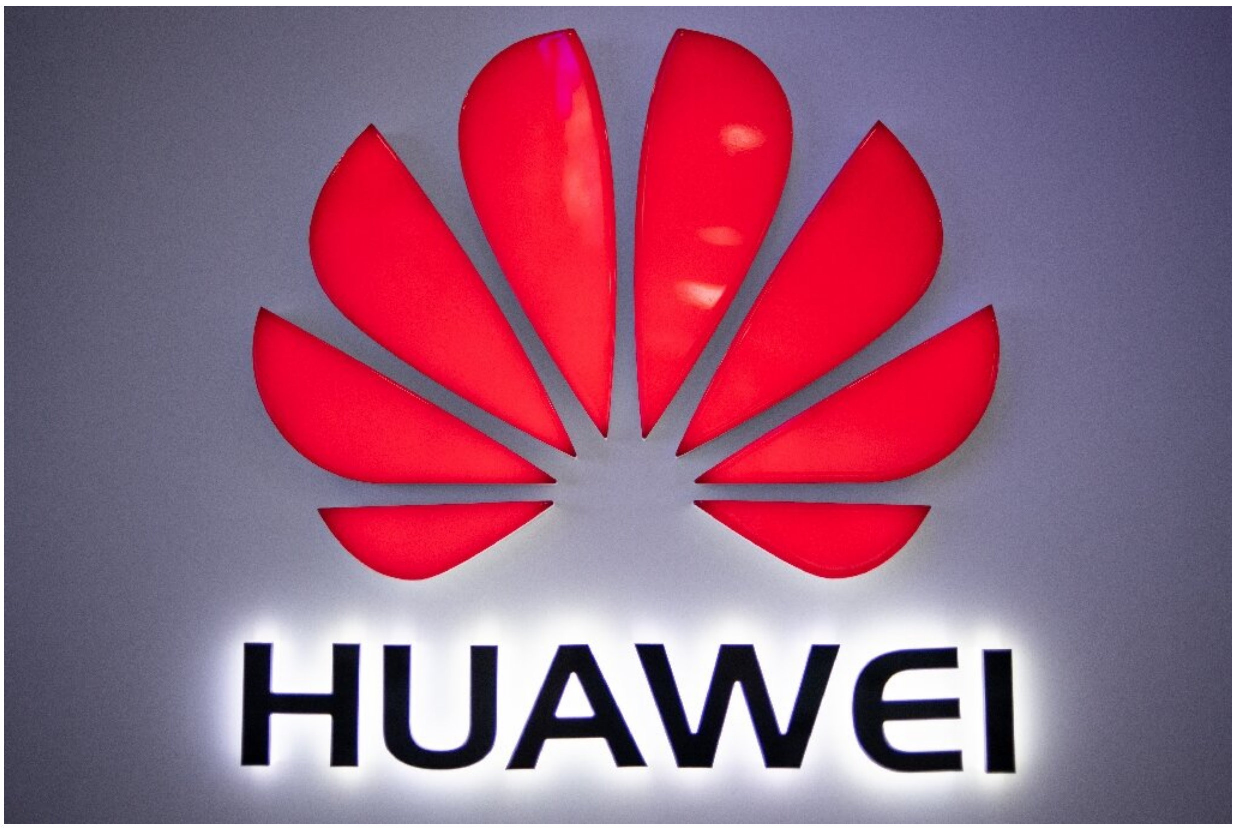

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Huawei's sales unexpectedly rose in the first half of the year, company figures showed Tuesday, as executives admitted US sanctions would bring further challenges in the coming months.

The Chinese tech giant has been under immense pressure this year as Washington has lobbied allies worldwide to avoid the company's telecom gear over security concerns and in May blacklisted the firm from both the US market and buying crucial US components.

Revenue in the first six months rose 23.2 percent from a year earlier to 401.3 billion yuan ($58.3 billion), the company said, adding that it posted a net profit margin of 8.7 percent.

The US actions have created some "disturbances" but overall it has been "controllable", said Liang Hua, Huawei's chairman.

We are "fighting for survival while chasing development", Liang said.

Smartphone shipments in the first half of the year reached 118 million units, up 24 percent from a year earlier, the company said.

Despite the robust results, the heft of the US moves are likely still to be felt, with the export ban not put in place until mid-May, near the end of the second quarter.

Most problematic for the company is the loss of the Android operating system for its future smartphones, with Liang declining to say when Huawei's own operating system would be ready.

"Our development speed before being put on the entity list was very fast," said Liang, adding it has now slowed.

With the US actions "objectively we are facing many difficulties," he said.

Huawei's founder, Ren Zhengfei, cautioned in June that the ban had hit overseas smartphone sales.

'Entity list'

Huawei was the world's number two smartphone producer last year, ahead of Apple and behind South Korea's Samsung, as well as the largest provider of telecom networking equipment.

But the firm has emerged as a key bone of contention in the wider China-US trade war that has seen tit-for-tat tariffs imposed on hundreds of billions of dollars worth of goods.

The US fears that systems built by Huawei could be used by China's government for espionage via secret "backdoors" built into telecom networking equipment, with fears heightening with the coming rollout of super-fast 5G networks expected to power the next wave of technological development.

"Our 5G products have not been affected, since we were fully prepared," said Liang, adding Huawei had secured 11 commercial 5G contracts since the blacklisting.

The US Commerce Department added Huawei to an "entity list" of companies barred from receiving US-made components without permission from Washington in May, though it was granted a 90-day reprieve, and Washington has indicated it could further open the door to US sales during trade talks.

The Chinese government responded by saying it would publish its own list of "unreliable" companies and individuals.

After meeting Chinese President Xi Jinping in Osaka at the G20 summit, Trump said sales of US components to Huawei could resume.

One month later, the firm remains on the entity list.

Suppliers have "resumed supply of a small number of non-important products", said Liang.

"The key products, up to now, have not resumed supply."

Huawei will likely feature in discussions between top US and Chinese negotiators in Shanghai on Tuesday and Wednesday after talks collapsed in May.

Smartphone problems

"Smartphone sales abroad in the second half will have some challenges," Liang said, noting sales have already fallen in overseas markets.

Ren said last month that sales had fallen 40 percent from May to June in the wake of the US blacklist threat and warned the company would have to slash production.

The business has returned to 80 percent of what it was before the ban, said Yao Fuhai, Huawei's chief supply chain officer on Tuesday.

Huawei cannot yet use Android and the Android ecosystem for future smartphones, said Yao.

Whether the smartphones will use Android or a Huawei-made operating system "depends on the US", he said.

Since May, Huawei executives have touted the development of their own "Hongmeng" OS to replace Android, with the head of Huawei's consumer business saying it could be ready this fall.

Liang on Tuesday admitted that "Hongmeng" was originally developed for the internet of things like autonomous driving, remote healthcare services and industrial controls.

"We will evaluate how this OS can be used in various products in our portfolio," he said.

"It's not a bluff", Liang said, "if the US doesn't let us use (Android), then we have the ability" to develop our own.