# Huawei rejects reports of security weakness

15 January 2014, by Joe Mcdonald

Chinese tech giant Huawei on Wednesday rejected suggestions its telecoms equipment is vulnerable to hacking and forecast a rise in 2013 profit of nearly 50 percent.

Chief financial officer Cathy Meng rejected as "groundless" reports that Huawei equipment might be more vulnerable to security threats than telecoms infrastructure made by other companies.

The German magazine Spiegel reported last month that the U.S. National Security Agency installed secret "back doors" in telecoms equipment made by Huawei and other companies. Earlier, some researchers said they found vulnerabilities in Huawei routers.

"We have seen no incidents on networks due to security problems," said Meng at a news conference. "A lot of reports say Huawei equipment has more vulnerabilities or is more easily breached. These reports are groundless."

Huawei Technologies Ltd., founded in 1987, has grown rapidly in developing countries but faces hurdles in the United States, where authorities have warned it might be a security risk. The company has rejected such claims as trade protectionism that it says hurts American consumers by limiting competition and raising the cost of telecoms equipment.

Huawei expects a 2013 operating profit of 28.6 billion yuan to 29.4 billion yuan ($4.8 billion to $4.9 billion), according to Meng, the daughter of Huawei founder Ren Zhengfei. That would be an increase of 43 to 47 percent over last year's operating profit of 19.96 billion yuan. Audited results are due to be released in the second quarter of the year.

Huawei, the first Chinese firm to break into the top ranks of global technology companies, is privately held but has released more financial details in recent years in an effort to win greater acceptance abroad.

Last year's revenue rose 8 percent to about 240 billion yuan ($40 billion), Meng said. She said revenue was forecast to rise by a similar rate of 8 to 10 percent annually over the next five years.

Huawei was set up by Ren, a former Chinese military engineer, to sell imported telecoms equipment and later started to develop its own.

The company says it is owned by 17,000 employee shareholders and denies it is controlled by the communist government or China's military, but such concerns have hampered its efforts to expand in the United States.

The company, based in the southern city of Shenzhen, near Hong Kong, says it serves 45 of the world's 50 biggest telecoms carriers. Meng said its equipment is used in 110 of 244 commercial fourth-generation mobile phone networks worldwide, including in cities such as London, Zurich and Hong Kong.

Huawei has 140,000 employees worldwide and research and development centers in Europe, Silicon Valley and elsewhere. Meng said R-and-D spending last year rose 10 percent to 33 billion yuan, or 14 percent of revenue.

Following an outcry over disclosures about the role of Internet and telecoms companies in U.S. government surveillance, Huawei said in October that it never has been asked to provide information about a citizen to any government.

In 2012, a U.S. congressional panel recommended phone carriers avoid doing business with Huawei or its smaller Chinese rival, ZTE Corp. The previous year, Huawei was barred by Australia's government from bidding to work on a national broadband network.

The company has promised to release a list of shareholders and their stakes, which might help to clarify who controls the company. Meng said the board of directors has agreed to such a step and is seeking approval from employees who own shares.


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