

## Ichia Suzhou Plant Announces Complete Shutdown Due to Pollution

Shares for Xiaomi Supplier Ichia Plunged in Taiwan Today as Trading Resumed

According to Taiwanese media reports, Ichia Technologies Co., Ltd. (TPE: 2402) suspended trading on June 29 and held a major press conference at the Taiwan Stock Exchange to explain that, "On June 28, [the company's] Suzhou factory was completely shut down without prior warning."

According to *Central News Agency* reporter Jiang Mingyan in Taipei on June 29, Sun Yongxiang, General Manager of Ichia Technologies, said at the press conference that the Suzhou environmental protection bureau (EPB) had once again issued a shutdown and rectification order for the company's Suzhou factory. Operations were halted on June 28, potentially impacting June and July revenue.



*Ichia Technologies suspended trading on June 29. General Manager Sun Yongxiang (left) explained the June 28 shutdown of the Suzhou factory.*

*Photograph by Central News Agency reporter Jiang Mingyan (June 29, 2017)*

Lvse Jiangnan and the Institute for Public and Environmental Affairs (IPE) released a report on May 21 pointing out that Xiaomi has been avoiding its supply chain pollution issues for four years, and research investigations found that Xiaomi supplier Ichia Technologies was suspected of severe environmental violations.



According to Sun Yongxiang, between May 23 and June 27, the Suzhou plant was inspected by the Suzhou EPB for environmental issues, which resulted in the shutdown of some production lines in the Building C copper plating workshop and the etching workshop. Ichia immediately responded by dispatching other production lines, and completed the rectifications by June 10 and reported them to the Suzhou EPB.

**However, on June 28, the Suzhou EPB once again requested that Ichia implement an order to suspend production and conduct rectifications.**

Ichia said that it is actively communicating with the Suzhou EPB to complete an application to resume work as soon as possible, though the company is not certain when work can resume. Pending notification from the Suzhou EPB, work could possibly resume between July 9 and 16.

Taiwan's *Business Times* also reported after the news conference, "Sun Yongxiang stated that because the average revenue of the Suzhou plant is RMB 500 million, accounting for 80% of [Ichia's] total revenue, the shutdown will lead to lower revenue in June than expected. The loss will likely amount to a 10% loss, about RMB 60 million. The impact on July revenue will depend upon the length of the shutdown, but legal experts estimate that Yijia's July revenue may decline by 25-40%."



*Central News Agency* reported, "According to industry news, Xiaomi has launched its Hong Kong IPO plan, so it must ensure its suppliers are in compliance with environmental regulations. According to the British *Financial Times* Chinese website, two Chinese environmental organizations, the Institute for Public and Environmental Affairs (IPE) and Lvse Jiangnan, alleged that Xiaomi's downstream motherboard supplier, Ichia Technologies (Suzhou) Co., Ltd. discharged wastewater locally, impacting the environment and violating environmental regulations."

According to the report, Ichia stated that Xiaomi is not a direct customer, but presented the issue as a management error of Ichia's. To demonstrate corporate responsibility, Ichia will carry out the rectification as required by the EPB.

Environmental groups appreciated Ichia's statement that "presented the issue as a management error of Ichia's," and "To demonstrate corporate responsibility, Ichia will carry out the rectification as required by the EPB."

However, it should be pointed out that the Suzhou plant’s “complete shutdown without prior warning”, as reported by Taiwanese media on June 28, reflects that Ichia as a listed company has major gaps in its environmental information disclosure. Even after the local EPB became actively involved in the investigation and found severe environmental violations, Ichia failed to make a full disclosure and promptly inform its investors of the relevant risks.

Environmental groups believe that this reflects that Ichia, a large-scale electronics manufacturer, lacks awareness of the impacts of its production and operation activities on the local environment.

While Ichia says it is “actively communicating with the Suzhou EPB to complete an application to resume work as soon as possible,” environmental groups believe that Ichia should assist the EPB by thoroughly investigating their own environmental violations and determining their impacts on the environment, particularly the long-term impacts on soil, groundwater and river sediments in the surrounding area. Ichia should also take measures to eliminate these impacts.

According to relevant information on a financial platform: “The mobile phone motherboard factory Ichia Technologies (2402) announced last week that due to environmental issues at its Suzhou factory, it would halt production and undertake rectification actions. As trading resumed today, company shares closed at (TWD) 16.7 shortly after the market opened, falling by (TWD) 1.85.”

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*Note: All of the above quotes have been translated from Chinese by IPE for the purposes of reference only. For their original text, please refer to the Chinese version of this report.*

**Related Reports:**

1. Central News Agency:

<https://www.cna.com.tw/news/firstnews/201806290229.aspx>

2. NOWNEWS:

<https://www.nownews.com/news/20180629/2780337>

3. Chinatimes.com

<http://www.chinatimes.com/newspapers/20180630000348-260206>

**English Language Report:**

1. vaaju:

<https://vaaju.com/taiwaneng/yijia-june-revenue-decreased-by-10-from-573-million-months-annual-activity-is-expected-to-increase-quarterly-per-year-%E9%92%9C-%E4%BA%A8-taiwan-stocks-news/>