

Love and Hope CIC: A Social Enterprise that You Will Be Proud Of

Could you imagine something like this happening in HK:

- A high-tech, high-touch factory in Hong Kong designing and producing world-class knitwear
- The factory boasts 100% 'Made in HK' and aspires to be the pride of Hong Kong
- It employs and retrained over 70 skilled workers (mostly female) who had lost their jobs when local industries moved northward into the mainland in the 80s and 90s
- Its products compete in the top-end global markets – going against the conventional wisdom of the industry
- It is a privately owned company with no government subsidies whatsoever
- It has a 'double bottomline' with a clear social mission supported by financial sustainability
- It calls itself a 'Community Interest Company' (which is the closest legal form of social enterprise in the UK), and commits itself to re-investing at least 65% of its profit in the business
- It started in 2009 with an initial investment of over HK\$10,000,000 and its factory currently has an area of over 11,000 sq.ft. employing some 80 staff



It sounds too good to be true. But it is real and flourishing.



The name of the company is **L plus H Community Interest Company**, a social enterprise created for the community and with the community. The name "*L plus H*" embodies the company's belief that **Love** and **Hope** can make a positive impact in the lives of the employees and customers. By bringing back manufacturing to Hong Kong, the company aims to create job opportunities and help under-served people to again stand on their own feet and incubate a new generation of fashion designers, garment workers and entrepreneurs for Hong Kong. Along with its innovation towards business, *L plus H* continues Hong Kong's rich heritage of textile manufacturing, and takes pride in its efforts to re-vitalize and re-define the label "**Made in Hong Kong**".

L plus H in Their Own Words (<http://www.lplush.com/LplusH.html>)

VISION | *Our mission is to serve the community with a “Total Solution”, by enabling less privileged people to restore self-worth, dignity & hope through craftsmanship; building a 21st century factory with an audacious team that is powered by hard heads with soft hearts; reviving the label of “Made in Hong Kong”; while at the same time raising the bar of the fashion industry practice by creating a “collaboratory” of designers, technicians, workers and entrepreneurs.*



OBJECTIVES | *Our goal is to create jobs for the underserved people; re-define the spirit of workmanship; emphasize cross-training & exposure; revive the “Made in Hong Kong” label; provide a collaborative and learning workshop among designers, workers, technicians, and entrepreneurs; and create a platform for crossover talents of social entrepreneurs, techno-designers, and craftsman-workers.*



The Social Entrepreneur: Ada Ho

L plus H is the brainchild of Ada Ho, director and CEO of the company. She holds a Master degree in Public Policy from the Harvard Kennedy School, and a B.Sc. degree in Foreign Service from Georgetown University. Knitwear, fashion design and factory production are entirely new to her. But she has the dream and passion to create a business that is not only competitive and profitable but is also contributing positively to the community. Although she has the benefit of being supported and mentored by a number of leading industrialists in the field, it was her single-mindedness and dedication that builds and drives the business.

To have a glimpse of the factory and a feel for the place, please take a look at this video:

<http://www.youtube.com/watch?v=PsdKUI89--E>

Seeing is Believing

Listening to Ada personally is an inspiring experience. That is why HKSEF organized a tour of the factory last Saturday (June 25). Twenty one of us were there; most of them are practicing social entrepreneurs. We saw, we listened, we walked around, and we were impressed and inspired. I would strongly recommend anyone who is running a social enterprise or aspires to become a social entrepreneur to visit the factory and learn from Ada. HKSEF will be organizing another visit later in the year. Anyone interested in joining could reserve a place by writing to Nancy at nancy@genesismarketing.com.hk.

It had been many years since I visited a garment manufacturing factory. Even if I did, it was mostly in China. Thus, I consider the visit to L plus H a magical experience. Not only was its factory spacious, well-lit by eco-lighting and clean (more like a studio or a think tank), its top-line machines were also operated by middle aged local workers, all managed by a young and learned Executive Director, a passionate Harvard graduate and an ex-business consultant.

I find L & H one of a kind, a result of skilled productivity, selfless management and angel capital, attained without any compromise on commercial standards. As a social enterprise, it has not only created the employment in Hong Kong where the gap lies, but it has also set a social responsibility and management benchmark for the manufacturing industry. I am impressed.

Doris Kwan

*Director, Social Investors Club
Director, Give Venture Partners*

‘See is believing’ is not just a slogan. It represents a mode of learning for which there are no substitutes. One can read and surf the net for information and insights, but until one sees and feels what is actually happening, the message might not stick and the heart might not be touched.

For social enterprises run by NGOs, I would particularly encourage those who have ultimate responsibility for the enterprises’ success and failure to see for themselves what a social enterprise could look like and achieve. It will be an eye- and mind-opening experience. Please note that I am referring to ‘those who have ultimate responsibility’, not just the manager of the social enterprises. NGOs leadership for social enterprises needs a major transformation and going out to witness and appreciate how a privately-run and owned social enterprise operates would be a valuable experience.

Why Community Interest Company (CIC)?

L plus H calls itself a ‘Community Interest Company’. This might be new to many of us. It is a legal form of companies in the UK and it has no legal status in Hong Kong as such. L plus H puts ‘community interest company’ in its company name to highlight the fact that it attempts to operate in the spirit of a community interest company.

In the UK, the CIC legislation was introduced as a legal form under the Companies Act 2006. It has since become the fastest growing community-oriented enterprise movements in the country. Each month over 100 new CICs register to take on the legal form.

The key features of CICs are:

Asset Lock – meaning that the assets owned by the company could only be used for the benefit of the community and could not be sold or transferred to other parties, including shareholders

Dividend Cap – shareholders are entitled to receiving dividends but the cap is set at 35% of the annual net profit

No Tax Benefits – unlike a charitable organization, CICs do not enjoy any tax benefits and they pay tax at the normal corporate tax rate

When the CIC legislation was introduced in the UK, there were already over 50,000 ‘social enterprises’ in different forms. In Hong Kong, there are only a few hundred to date. It is unlikely that there will be a similar legislation in the foreseeable future. It is a good idea, however, to call itself a CIC even though it is not a legal entity as such, as it would highlight the enterprise’s intention to live up to the spirit of a community interest company. This turns out to be a simple and effective way to avoid the confusion created by the messy definition of a social enterprise.

‘Every Business a Social Business’

As pointed out in the Newsletter many times before, one of the ultimate goals of social entrepreneurship is to create a society in which ‘every business is a social business’. This of course is a very long term goal. But the experience of L plus H offers the hope and direction that this is an achievable and desirable goal.

In order for the L plus H experiment to inspire a larger public, the Social Enterprise Summit 2011 Organizing Committee has invited one of its directors and major shareholders, Mr. Charles Chong, to share their experience at the coming Summit in November. To fully benefit from the sharing, it would be good to first of all visit their factory in Tuen Mun.