

CITY

SOCIAL ENTERPRISE

NEW EXCHANGE AIMS TO MAKE AN IMPACT

Investment platform in Hong Kong will cater to the growing league of 'impact investors' who want their money to do good while it does well

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Hong Kong investors with a conscience will be a key target of a new stock exchange set to launch this year linking capital with social enterprises.

A Singapore-based company, Impact Investment Exchange Asia (IIX), is building the platform and hopes to harness the growing trend of investors seeking a social return as well as a financial one.

It's managing director, Robert Kraybill, said that, while China had not traditionally been as big a market for social enterprises as other countries such as India, "we think that's starting to change".

"The [impact investing] trend is definitely gathering pace. If you went back 10 years or so, you would not see any of this so it probably started to pick up five years ago and, in the last couple of years, it's really gained steam.

"The idea behind creating a public exchange is that, by doing so, you can bring it to the next level of transparency and liquidity... and to a much wider group of investors: individual retail investors, mutual funds and a very broad group of institutional investors."

Kraybill said the bourse would help social enterprises throughout Asia Pacific raise investment capital, particularly from investors who care

about their social and environmental mission as well as about making a financial return.

"Right now, no one is doing this, so it would be a world first," he said. "When we went into this, our thinking was maybe a little naïve. We later realised that we actually need to build and encourage the development of an ecosystem for impact investing."

"Just as in the traditional markets like the Singapore or Hong Kong stock exchange, you need the support of the entire investment banking community, such as legal and accounting services and the ratings agencies."

The company has already launched a private investment platform for social enterprises called Impact Partners, which mainly targets very wealthy investors and screens them on their motivations.

"Realistically, it's a self-selective group who want to support social causes, and if you only wanted to find the best financial returns there are easier places to look," said Impact Partners director En Lee.

"Sustainable philanthropy has to morph into the social enterprise model," he said.

Impact investors were an "emerging asset class", he added, citing a comprehensive report released by J. P. Morgan on the topic [which predicted that by 2020 there could be between US\$400 billion and US\$1 trillion invested this way, *The Economist* reported].

Kraybill said it was the right time to push the project.

"It's a very exciting time. Even in the two years we've been at it, the landscape is changing and growing. In the last 10 years, you had a guy who was running Citibank India quit and start a microfinance company. You had people bringing business acumen to the social market.

"Now, you're seeing that flow over to many exciting social enterprises in different fields and both are attracting good talent and capital."



En Lee, director of Impact Partners, says impact investors - who aim for a social dividend as well as a financial return - are an "emerging asset class". Photo: Jonathan Wong



YC has found her feet at the Fullness hair salon. Photo: David Wong

Privately run social enterprise a cut above the rest

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"YC" was just 15 when she had her first taste of ketamine. Within weeks she was hooked, her life spiralling into a drug-dependent haze that only ended when she was arrested by police.

Now 21, the young, bright-eyed woman working at the Fullness hair-dressing salon in Sai Wan Ho is quietly spoken and talks openly about her troubled past.

The salon is a privately funded social enterprise run by the Fullness Christian Vocational Training Centre Limited.

"YC" started working at the salon, which has two branches in the dis-

trict, last year after a one-year stint in a drug rehabilitation centre on Lam-ma Island.

"People seduced me to take the drug and then I couldn't escape," she said, recalling her four years of addiction when she would spend HK\$6,000 a month on the drug.

At the age of 19, she was arrested for drug possession and sent for rehabilitation.

Six months ago she was offered a job at the salon, which trains young former addicts and ex-offenders to be hairdressers.

"I wanted to change and I wanted to give up," she said. "But I feel warm here. I didn't know how to deal with other people before but they really trust me here and I'm comfortable." "YC" now lives at home in Ap Lei

Chau with her parents and works full-time at the salon, earning HK\$7,000 a month.

"I want to be a top stylist. I'm happy that I can leave those days behind," she said.

This is an example of a successful social enterprise in Hong Kong. Only a few succeed, and even fewer are privately funded.

According to a 2010 survey by the General Chamber of Social Enterprises, most social enterprises struggle to break even, but the government-funded ones are the least profitable.

At the Fullness Salon, the management team has steered clear of government help and last year made a HK\$4,000 profit.

"It's more flexible if we don't ask

for any public money," salon manager Ted Kwan Chi-hong said.

"There is a catch with public money because there's too much administration and it doesn't carry the sense of urgency to do more promotions or innovation."

In 2005, private investors bought the salon from a non-government organisation and in 2008 they raised HK\$2.9 million by selling shares to 16 investors - most middle-class professionals - and one organisation.

"We used a simple company structure and we brought in people from diverse backgrounds," Kwan said. "Because we have the money, the people and the networks, we could expand."

The two branches pay HK\$800,000 in wages a year.

If you only wanted to find the best financial returns, there are easier places to look

EN LEE, DIRECTOR, IMPACT PARTNERS

LEGISLATION

Fewer all-night meetings facing Legco as term ends

With only two major bills to consider, lawmakers are under less end-of-term pressure than usual

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The end of the Legislative Council's four-year term is traditionally marked by marathon meetings as lawmakers struggle to pass legislation, but the head of Legco's agenda-setting committee says she expects this year to be different, with only two controversial bills due to be tabled.

"Based on my own observations, the situation this year will be better than in the past," said Miriam Lau Kin-ye, chairwoman of Legco's house committee.

"It might be because I have repeatedly reminded the chief secretary to table new bills as soon as possible. And the administration has done so in the first half of this year's session," she said.

Lau said one of the bills likely to cause controversy related to the

amendment of the electoral system for filling midterm vacancies in Legco. The government tabled its proposal last week to ban lawmakers who resign their seats from standing in by-elections in the six months after their resignation. A bill is expected to be forwarded next month.

"Legco has discussed the proposal for how to fill vacancies before, so it will make things easier for us," Lau said.

The government tabled a bill last June to abolish by-elections and fill any midterm vacancy in Legco by giving the seat to the losing candidate with the most votes at the previous election. A public outcry forced the government to change its plans and launch a public consultation. The decision to change the by-election rules came after five pan-democrat lawmakers resigned to force what they hoped would be a "de facto referendum" on democracy in 2010.



Most of the bills have been tabled. Now it's up to the lawmakers to keep the process moving

HOUSE COMMITTEE CHIEF MIRIAM LAU

People Power lawmaker Albert Chan Wai-yip has warned that his party will table hundreds of amendments to the bill in an attempt to delay progress and force it to be dropped.

Any bill that has not been passed by the time Legco's four-year term expires in July will lapse. And, because the government's term of office also ends in July, there is no certainty the incoming chief executive's administration will table them again.

Lau called on the government to table the second controversial bill, which would regulate the sale of new homes, quickly as it would need considerable scrutiny.

"I have told the chief secretary not to table any other controversial bills in the coming few months on top of our busy schedule, but we still look forward to this one because such regulations are essential," Lau said.

Lau does not expect a repeat of 2008, when lawmakers rushed through nine outstanding bills in seven working days during the final two weeks of sittings, or 2004, when 10 bills had to be dropped because they could not be passed in time.

"Most of the bills have been tabled. Now it's up to the lawmakers to keep the process moving," she said.

"However, it seems inevitable that we will still need marathon meetings towards the end of term. We might have more rooms for meetings after moving to the new complex in Admiralty, but we do not have more lawmakers to attend those meetings."

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ANNOUNCEMENTS

OBITUARY

WILLIAM FRANCIS ARCHAMBAUD CHAO (趙培剛), beloved husband of DEBBY, devoted father of SHERYL and JULIAN, loving brother of HELEN, HENRY (deceased), ROGER (deceased) and EDWARD, passed away peacefully on 18th January, 2012.

Wake will start from 5pm at the Universal Funeral Parlour, 10 Cheong Hang Road, Hung Hom, Kowloon on Tuesday 31st January. Funeral services will be held at noon on Wednesday 1st Feb., 2012 followed by cremation at Cape Collinson Crematorium.

HARJANI

With God's blessing, Vinod and Prisha Harjani are delighted to announce the safe arrival of their daughter "Ryka Harjani" on the January 17th, 2012. Elated Grandparents are Hema Ramesh Harjani, Gope & Sapna Uttamchandani. Many thanks to Dr. Wong and the wonderful staff of St. Teresa's Hospital.