

## Success ingredient

Sandy Chim



Chim helped set up one of the largest China-Canada joint ventures in Canadian mining history

# IRON MAN

Restless ambition turned Sandy Chim from a small accounting practitioner in Toronto into one of the go-to dealmakers for massive Chinese investment in natural resources. Ramona Dzinkowski charts the career of the Century Iron Mines Corporation Chief Executive Officer

Photography by Jag Gundu

One day in the mid-1990s, sitting in the office of his small accounting practice in Toronto, Sandy Chim realized he needed to go back to his homeland.

“I was dealing with some clients from China and Hong Kong,” the Hong Kong Institute of CPAs member recalls. “I connected them with an Australian tyre company that was trying to raise US\$40 million to expand its manufacturing plant in the Mainland.”

The Hong Kong-born Chim used his finance and accounting expertise to negotiate with an Australian investment bank to launch an initial public offering for the tyre maker.

After he sealed the deal, he understood how complicated Asia-Pacific business could be, especially handling from a distance in Canada. “I saw that I needed to go to Shanghai and Shenzhen to check out the investment,” he says. “When I got there, what I saw reminded me of the Grand Canyon.”

It wasn’t natural beauty, but the vast scale of excavation going on in the booming Chinese cities

that created the connection with the vast Arizona landmark. “The expansive construction that was going on was in an area comparable to the entire state of New York,” he recalls with wonder.

After seeing that, he knew that the world was going to evolve with a great deal of Chinese influence.

At that time, China had been negotiating to enter the World Trade Organization for about a decade. The talks were arduous and complex – then-premier Zhu Rongji famously quipped that the process was long enough to “turn black hair white” – and at times seemed destined to fail.

Chim saw that China needed to raise capital and open the market, but its business people not sophisticated enough in their business practices and technical capabilities to make an impression in international arena.

Returning to Canada, Chim began to make plans. “This experience was an eye opener for me,” says Chim. “Ultimately, it made me realize that I needed to be in the heart of things. It was then I decided

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to re-establish myself in Hong Kong to get involved in raising capital for projects in China.”

That decision led Chim to the position he is in today, 20 years later. During that period, he founded the Canadian-based Century Iron Mines Corporation, of which he is Chief Executive Officer. He is also Chairman of its subsidiary, Labec Century Iron Ore, one of the largest China-Canada joint ventures in Canadian mining history.

## Go, Canada

Much of Chim’s personal success – as well as that of his company – is a direct result of his choice to explore the world as a young man. After leaving high school in Hong Kong, he began his professional education in Australia, where he obtained a bachelor’s degree in commerce and



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hands-on training as an accountant.

He rapidly became familiar with Australian banking and private equity markets, a skill set that would lead him to broker the joint venture between his Chinese clients and the Australian tyre manufacturer. In 1981, in pursuit of broader training and experience, Chim emigrated from Australia to Canada where he successfully pursued a master's degree in business administration.

After working in a finance role at IBM Canada for a number of years, Chim decided to open his own public practice in Toronto, which exists today as ChimSeto CPAs in the affluent suburban community of Richmond Hill.

His investments and involvement in developing iron ore assets in Canada started in 2005 as a substantial shareholder in Consolidated Thompson Iron Mines and a joint venture partner through an affiliated company of the Bloom Lake Mine in Quebec. In 2011, he formed the Toronto Stock Exchange-listed Century Iron through the acquisition of Century Iron Ore Holdings, which held deposits in tracts of land in Newfoundland, Labrador and Quebec.

Today, Century Iron's holdings are believed to have the largest number of iron ore claims in Canada held by a publicly traded company, setting the stage for the company to become one of the country's largest iron ore producers – with 100 percent of commercial product destined for China.

With his eye firmly on China, Chim attracted two of the largest Chinese investors operating in the public capital markets today: WISCO International Resources Development and Investment, and Minmetals Exploration and Development, both state-owned enterprises that now account for more than C\$70 million in investment and roughly 30 percent of Century Iron's common shares.

The significance of the partnership and the development of the new company's holdings would not go unnoticed. In 2014, Labec Century, the subsidiary, was named Explorer of the Year by the Newfoundland and Labrador branch of the Canadian Institute of Mining, Metallurgy and Petroleum, for developing its Joyce Lake deposit in the province, the company's most advanced project. The open pit mine, a joint venture with WISCO near the Quebec border, is forecast to produce 2 million tonnes of iron ore a year at its peak.

### Business, China style

Despite his Hong Kong connections, Chim found that he had to adapt to the Chinese ways of mining management, which had been influenced by the practices of the Soviet Union. "For an SOE, decision-making is more of a collective process than what you might otherwise see in a North American company," he says.

Chim points to rigid structures and a strict hierarchy



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of authorizations. “That adds another layer of signoffs.” As a result, proposals are accompanied by a lot more explanations than in the Western tradition. “We have to make sure that they are happy with the information, that they understand it, and make sure they are able to explain it forward through their internal process of decision-making,” says Chim

The successful partnership between Century Iron’s Canadian

management and its Chinese equity partners was in no small part down to Chim’s expertise, including many years of raising equity both privately and through initial public offerings, international experience in core sectors vital to China’s economic transformation, and – perhaps most importantly – an in-depth understanding of Chinese business practices. “With SOEs, you have to understand the history of their

business culture,” he says.

As strategic partners, WISCO and Minmetals take a hands-on approach, which requires accommodating different management styles, says Chim, who adds that the accounting practices are world class. “The internal control procedures, for example, are very strict,” he notes. “You have so many signoffs for finance, technical, operational, legal and business affairs when you

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deal with a major decision.”

A typical budgetary process would involve Chim working with technical staff to cost out a project. As a primary shareholder, the SOE partners send their own teams of geologists, mining engineers, metallurgists and accountants. “They really want to learn how to run a programme or operation in Canada,” says Chim. “That takes some allowance in terms of time.”

Once a project is costed, the plan is sent to the SOEs’ headquarters in China, he adds. “After everything is put together, they have to make sure that the budget proposed by the Canadian team and corresponding SOE team working with us in Canada is acceptable.”

The Chinese way of doing business might sound cumbersome, but Chim insists it works. “It adds time, but, in my view, the benefits far outweigh the costs,” he says. “Our strength is being able

to work with the biggest capital provider and the biggest buyer of commodities in the world: a one-stop total solution business model.”

### Alternative scenarios

Chim acknowledges that slowing economic growth in China – as well as pressure to reform SOEs – could bring changes. “I think a government’s objective should be the same as a corporate manager’s,” he says, “to bring the best value to shareholders.”

The government’s intention to reduce the number of SOEs is admirable, says Chim, adding that investors are bullish about Hong Kong-listed SOEs because they are the most reformed.

Chim says he sees no immediate threat for lower demand for iron ore. The China Iron and Steel Association expects the country’s imports to rise 7.1 percent this year, reaching 1 billion tonnes for the first time. China’s iron ore imports grew 14 percent last year even though its steel output grew by just 0.9 percent, the lowest level since 1981.

Indeed, last month iron ore staged a strong recovery after concerns about a supply glut forced down the price to a seven-year low of US\$46.70 a tonne at the start of April. (The Steel Index’s benchmark ore price for immediate

delivery into China was US\$55.80 a tonne on 12 August). “The general slowing of the economy can’t be automatically applied to iron ore,” Chim explains. “It’s quite simple: China is very price sensitive, and as the price drops, it buys more.”

Chim adds that Century Iron can also weather any possible downturn by exploring new mining opportunities. “We have C\$30-40 million of working capital that we can invest,” he says. “Gold is the logical outlet. China is the largest importer of gold and if you look at China’s gold reserves in relation to those of its currency, they’re low.”

He also plays down the recent downturn in China’s stock markets. “China is very good at trying different things,” he says. “The evolution of the stock market is a good example. Their track record over the past 35 years is to start with nothing, no market, no capital,” he says. “Now we’re a big market with a lot of capital.”

Ultimately, says Chim, China has a system that serves its people and adapts to new challenges and new needs. “That is the most important,” he says. “People can find many criticisms and many areas where China can improve. However I believe they’re way too quick to miss the big economic picture.”



China imported 932.5 million tonnes of iron ore in 2014 and accounts for 70 percent of global iron ore imports by sea.

