

Lehman liquidators confident of successful Hong Kong asset sales

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The liquidators of Lehman Brothers' Hong Kong operations have been approached by more than 250 parties interested in the bank's assets, it has been disclosed.

Prospective buyers include private equity groups, hedge funds and real estate investors. The unexpected level of interest offers hope to thousands of creditors of the eight Hong Kong entities, which account for the bulk of the bank's Asian operations excluding Japan.

The revelation came at a media briefing in Hong Kong, the first since KPMG, the professional services firm, was appointed as a liquidator after the collapse of the US bank last September.

Eddie Middleton, KPMG partner, said a divestment programme could begin after the Hong Kong entities entered formal liquidation in the next six weeks. "My fear was that there wouldn't be much interest in the Lehman assets. We are now filled with more confidence that there will be some competitive tension when it comes to selling assets," he said. "The challenge will be to realise best value for these assets in what is a very challenging macro-economic environment."

Last November the Financial Times revealed that the book value of the assets of the Hong Kong units was \$20bn. KPMG said yesterday the entities had aggregate liabilities of \$22.6bn.

Lehman Brothers' liquidation, the largest bankruptcy in history, offers a glimpse into the complex inner workings of global investment banks, where large amounts of money flow among numerous subsidiaries or fund balance sheet investments.

KPMG said one Lehman Hong Kong unit held 44 positions in Asian real estate, with a book value of \$1.25bn.

Mr Middleton said units held 294 positions in principal investments and loans across 13 Asian countries, with a notional value of \$2.9bn. These positions included corporate bonds, equity options and warrants, and were being actively managed by KPMG.

At the time of collapse, proprietary traders at Lehman Hong Kong held 930 investments in listed equities, valued at \$370m. KPMG has liquidated \$100m worth of derivatives positions.

KPMG highlighted the complexities of the bank's intracompany transfers, which total tens of billions of dollars. Lehman's Hong Kong units are owed an aggregate \$6.7bn by the bank's Japanese arm.

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