

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

To the Distributors of the Notes:

Bank of Communications Co., Ltd. Hong Kong Branch	ICEA Securities Ltd./ Tung Shing Securities (Brokers) Limited
CITIC Bank International Limited	MEVAS Bank Limited
Chong Hing Bank Limited	Public Bank (Hong Kong) Limited
Core Pacific-Yamaichi International (H.K.) Limited	Wing Hang Bank, Ltd.
Dah Sing Bank, Limited	Wing Lung Bank Limited

To: The holders of the Octave Series 20 Notes (via Euroclear and/or Clearstream, Luxembourg)

Octave Notes Series 20

USD Credit-Linked Secured Callable Step-up Fixed Rate Notes due 2013 (ISIN: XS0315041557) ("Tranche A Notes")

HKD Credit-Linked Secured Callable Step-up Fixed Rate Notes due 2013 (ISIN: XS0315042282) ("Tranche B Notes")

(each a "Tranche" and the notes of any or all Tranches, the "Notes") issued by Victoria Peak International Finance Limited pursuant to its Retail Note Programme (the "Programme")

We refer to our notices to distributors of the Notes dated 1 December 2008, 8 December 2008, 7 May 2009, 13 July 2009, 15 December 2009, 13 January 2010, 13 April 2010, 14 October 2010, 17 November 2010, 23 February 2011 and 11 January 2012 informing you of recent credit events which have occurred in relation to the Underlying Securities for the Notes and the related loss calculations.

As at the date of this notice, the Underlying Securities for the Notes consist of Series 2007-33 Floating Rate Notes due 2013 issued by Morgan Stanley ACES SPC acting for the account of the Series 2007-33 Segregated Portfolio (the "Underlying Securities"). The Underlying Securities are Synthetic CDO Securities referenced to 121 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Securities dated 9 August 2007 (the "PPMS").

As set out in our notice to distributors dated 11 January 2012, a Credit Event has occurred in respect of The PMI Group, Inc. Whilst this is not a reference entity under the Notes, it is a Reference Entity under the Underlying Securities.

As a result of this Credit Event, an Underlying Securities Default Event (also referred to as a Mandatory Redemption Event) as described in Special Condition (B)(2)(i) of the Notes has occurred in relation to the Notes. Following the occurrence of this event, the Notes have become subject to mandatory early redemption as further set out in Special Condition (B)(2) of the Notes. This notice

is being sent to Noteholders via Euroclear and Clearstream, Luxembourg pursuant to Special Condition (B)(2) of the Notes. Please refer to the attached set of Frequently Asked Questions for further information.

Although we are under no obligation to provide information in respect of the Notes or the Underlying Securities beyond that required by the offering documentation constituted by the Programme Prospectus and the Issue Prospectus, in the present exceptional circumstances we have considered it to be helpful to write to you in this instance to provide you with the information below relating to the Underlying Securities and the information contained in the attached set of Frequently Asked Questions relating to the Notes and the Underlying Securities. Please refer to the Programme Prospectus and the Issue Prospectus for the Notes for further information in relation to the consequences of this event.

We have set out in Part A of the Annex below the following information in relation to the loss calculations in respect of the Underlying Securities following the occurrence of the Credit Event relating to The PMI Group, Inc. referred to above: the Reference Entity Notional Amount which applies to each Reference Entity in respect of which Credit Events have occurred since the issue date of the Underlying Securities and, in respect of each of the Credit Events that have occurred since the issue date of the Underlying Securities where such amounts have been determined (including the Credit Event relating to The PMI Group, Inc. referred to above), the Weighted Average Final Price, the Reference Value and the Loss Amount.

The Aggregate Loss Amount as at the date hereof, being the sum of the Loss Amounts determined in respect of each of the Credit Events which have occurred in relation to the Underlying Securities since the issue date of the Underlying Securities where such Loss Amounts have been determined, is USD109,895,000. The remaining threshold amount of the Underlying Securities (also sometimes referred to as the remaining subordination) after taking into account the occurrence of the Credit Event in respect of the above Reference Entity and the related loss calculations is zero (being the difference between the Lower Threshold Amount of USD99,704,000 and the Aggregate Loss Amount of USD109,895,000 (subject to a minimum of zero)). For your convenience, we have set out in Part B of the Annex below the Lower Threshold Amount for the Underlying Securities (which is extracted from the PPMS for the Underlying Securities) and the current Aggregate Loss Amount.

We would encourage distributors to provide the information contained in this notice and the Frequently Asked Questions to your customers who invested in the Notes.

Nothing in this notice shall be construed as a waiver of any rights we may have with respect to the Notes.

If you have any questions or queries regarding this notice or the Notes, please consult your own legal, tax, accountancy or other professional adviser as you may see fit.

Capitalised terms used but not otherwise defined in this notice or otherwise specified shall have the meanings ascribed thereto in the Master Conditions (as set out in the Programme Prospectus relating to the Programme dated 25 June 2007) or the Issue Prospectus relating to the Notes dated 25 June 2007 or the PPMS. The Programme Prospectus, the Issue Prospectus, the PPMS and certain other

documents and information in relation to the Notes can be viewed on the following website:
www.morganstanley.com/octavenotes.

Yours faithfully

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

BY: 

Kareem Robinson - Director
18 January 2012

OCTAVE NOTES SERIES 20

ANNEX TO NOTICE TO DISTRIBUTORS DATED 18 JANUARY 2012

Part A

Reference Entity Notional Amount, Weighted Average Final Price, Reference Value and Loss Amount for each Reference Entity referred to above

Reference Entity	Reference Entity Notional Amount (USD)	Weighted Average Final Price	Reference Value (USD)	Loss Amount (USD)
Federal National Mortgage Association (Subordinated)	20,000,000	99.90%	19,980,000	20,000
Federal Home Loan Mortgage Corporation (Subordinated)	20,000,000	98.00%	19,600,000	400,000
Lehman Brothers Holdings Inc.	20,000,000	8.625%	1,725,000	18,275,000
Washington Mutual, Inc.	20,000,000	57.00%	11,400,000	8,600,000
Syncora Guarantee Inc.	20,000,000	15%	3,000,000	17,000,000
Financial Guaranty Insurance Company	20,000,000	26%	5,200,000	14,800,000
Ambac Assurance Corporation	20,000,000	20%	4,000,000	16,000,000
Ambac Financial Group, Inc.	20,000,000	9.50%	1,900,000	18,100,000
The PMI Group, Inc.	20,000,000	16.5%	3,300,000	16,700,000

Part B

Lower Threshold Amount, Aggregate Loss Amount and remaining threshold amount in respect of the Underlying Securities as at the date of this notice

Lower Threshold Amount (USD)	Aggregate Loss Amount (USD)	Remaining threshold amount (USD) (subject to a minimum of zero)
99,704,000	109,895,000	0