

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

To the Distributors of the Notes:

ABN Amro Bank NV

Bank of Communications Co., Ltd. Hong Kong
Branch

Chong Hing Bank Limited

Core Pacific-Yamaichi International (H.K.)
Limited

Dah Sing Bank, Limited

ICEA Securities Ltd.

MEVAS Bank Limited

Public Bank (Hong Kong) Limited

Wing Lung Bank Limited

To: The holders of the Octave Series 21 Notes (via Euroclear and/or Clearstream, Luxembourg)

Octave Notes Series 21

HKD RMB-Linked Credit-Linked Secured Callable Step-up Fixed Rate Notes due 2011 and extendable to 2014 (ISIN: XS0325917101) (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 8 December 2008, 7 May 2009, 13 July 2009, 6 November 2009 and 1 December 2009 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 2007-37 Floating Rate Notes due 2011 extendable to 2012 issued by Morgan Stanley ACES SPC acting for the account of the Series 2007-37 Segregated Portfolio (the "**Underlying Securities**"). The Underlying Securities are Synthetic CDO Securities referenced to 125 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Securities dated 25 October 2007 (the "**PPMS**").

Since we sent the above notices to you, a Credit Event has occurred in respect of Financial Guaranty Insurance Company. 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 Financial Guaranty Insurance Company 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 in relation to Financial Guaranty Insurance Company 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 USD37,978,000. 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 USD35,000,000 and the Aggregate Loss Amount of USD37,978,000 (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.

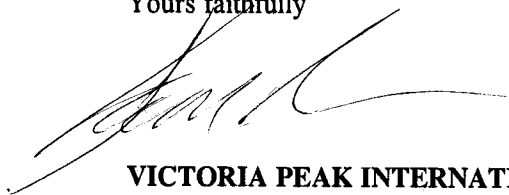
We would encourage distributors to provide the information contained in this notice and the Frequently Asked Questions to your customers who invested in the Notes.

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 14 September 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

9 February 2010

OCTAVE NOTES SERIES 21

ANNEX TO NOTICE TO DISTRIBUTORS DATED 9 FEBRUARY 2010

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 Home Loan Mortgage Corporation (Subordinated) | 8,000,000 | 99.90% | 7,992,000 | 8,000 |
| Federal National Mortgage Association (Subordinated) | 8,000,000 | 98.00% | 7,840,000 | 160,000 |
| Lehman Brothers Holdings Inc. | 8,000,000 | 8.625% | 690,000 | 7,310,000 |
| Glitnir banki hf. | 8,000,000 | 3.00% | 240,000 | 7,760,000 |
| Kaupthing banki hf. | 8,000,000 | 6.625% | 530,000 | 7,470,000 |
| Syncora Guarantee Inc. | 8,000,000 | 15% | 1,200,000 | 6,800,000 |
| CIT Group Inc. | 8,000,000 | 68.125% | 5,450,000 | 2,550,000 |
| Financial Guaranty Insurance Company | 8,000,000 | 26% | 2,080,000 | 5,920,000 |

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) |
|-------------------------------------|------------------------------------|--|
| 35,000,000 | 37,978,000 | 0 |