

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

To the Distributors of the Notes:

Bank of China (Hong Kong) Limited	ICEA Securities Ltd.
Bank of Communications Co., Ltd. Hong Kong Branch	Chong Hing Bank Limited
Chiyu Banking Corporation Limited	Nanyang Commercial Bank, Limited
CITIC Ka Wah Bank Limited	Shanghai Commercial Bank Limited
Core Pacific-Yamaichi International (H.K.) Limited	Tai Fook Securities Co. Ltd.
	Wing Hang Bank, Ltd.
	Wing Lung Bank Limited

Octave Notes Series 5

USD Credit-Linked Secured Callable Fixed Rate Notes due 2010 (ISIN: XS0222358938) ("Tranche A Notes")

USD Credit-Linked Secured Callable Range Accrual Notes due 2010 (ISIN: XS0222358771) ("Tranche B Notes")

HKD Credit-Linked Secured Callable Fixed Rate Notes due 2010 (ISIN: XS0222358698) ("Tranche C Notes")

HKD Credit-Linked Secured Callable Range Accrual Notes due 2010 (ISIN: XS0222358342) ("Tranche D 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 notice to distributors of the Notes informing you of recent credit events which have occurred in relation to the Underlying Securities for the Notes.

We are now in a position to provide you with further written information on the consequences of those credit events. As previously, although we are under no obligation to provide information in respect of the Notes or the Underlying Securities beyond that specified in the Offering Documents, in the present exceptional circumstances we believe it may be helpful to write to all Distributors to provide this further information.

As at the date of this notice, the Underlying Securities for the Notes consist of Series 2005-14 Class II Secured Floating Rate Notes due 2010 issued by Morgan Stanley ACES SPC acting for the account of the Series 2005-14 Segregated Portfolio (the "**Underlying Securities**"). The Underlying Securities are CDO Squared Securities referenced to the Master Swap Transaction which references six credit default basket reference transactions numbered 1 through 6 (each specifying 100 Reference Entities and referred to as a "**Reference Transaction**") and 25 ABS Reference Obligations, each as defined and further described in the Private Placement Memorandum Supplement of the Underlying Securities dated 15 June 2005 (the "**PPMS**").

Since the issue date of the Underlying Securities, Credit Events have occurred in respect of:

- Dana Corporation;
- Lehman Brothers Holdings Inc.;
- Federal National Mortgage Association;
- Washington Mutual, Inc.

Whilst these are not Companies under the Notes, they are Reference Entities under the Reference Transactions which are referenced by the Master Swap Transaction for the Underlying Securities.

As of the date of this notice, the occurrence of these Credit Events has not resulted in an Underlying Securities Default Event or an Early Redemption Event in relation to the Notes. The Issuer can give no assurance as to whether an Underlying Securities Default Event or an Early Redemption Event will or will not occur in relation to the Notes in the future.

We have set out in Part A of the Annex below the following information in relation to the loss calculations in respect of the six Reference Transactions following the occurrence of the Credit Events referred to above: (a) the relevant Reference Entities which were referenced under each Reference Transaction (b) the Loss Amount in respect of each of the Credit Events referred to above for each Reference Transaction and (c) the Total Loss Amount in respect of each Reference Transaction, in each case as at the date of this notice.

We have set out in Part B of the Annex below, as at the date of this notice:

- a) the Total Loss Amounts under each Reference Transaction, being the sum of the Loss Amounts determined in respect of each of the Credit Events which have occurred in relation to each Reference Transaction since the issue date of the Underlying Securities; and
- b) the remaining subordination amount of each Reference Transaction (also sometimes referred to as the remaining threshold amount) after taking into account the occurrence of the Credit Events in respect of the above Reference Entities and the related loss calculations,

For your convenience, we have also set out in Part B of the Annex below the Subordination Amount for each Reference Transaction (which is extracted from the PPMS for the Underlying Securities).

Taking into account the Credit Events which have occurred in relation to each Reference Transaction since the issue date of the Underlying Securities, as at the date of this notice, the Total Loss Amount under the Master Swap Transaction is zero. The remaining subordination amount (also sometimes referred to as the remaining threshold amount) of the Master Swap Transaction as at the date of this notice remains at the Subordination Amount of USD45,000,000 and is unchanged since the issue date of the Underlying Securities. For your convenience, we have set out in Part C of the Annex below the Subordination Amount for the Master Swap Transaction in respect of the Underlying Securities (which is extracted from the

PPMS for the Underlying Securities) and the Total Loss Amount for the Master Swap Transaction as at the date of this notice.

We attach a set of Frequently Asked Questions in relation to the contents of this notice which will be posted on the following website: www.morganstanley.com/octavenotes. We would encourage you to provide the information contained in this notice and the Frequently Asked Questions to your customers who invested in 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 Issue Prospectus relating to the Notes dated 17 May 2005 or the PPMS.

Yours faithfully



VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

By: Kareem Robinson
8 December 2008 Director

OCTAVE NOTES SERIES 5

ANNEX TO NOTICE TO DISTRIBUTORS DATED 8 DECEMBER 2008

Part A

The Reference Transactions under the Master Swap Transaction which reference one or more of the Reference Entities referred to above, the Loss Amount in relation to each Reference Entity under the relevant Reference Transaction and the Total Loss Amount in relation to each Reference Transaction, in each case as at the date of this notice

Reference Transaction	Reference Entity	Loss Amount in relation to Reference Entity (USD)	Total Loss Amount in respect of Reference Transaction (USD)
3	Dana Corporation	15,000,000	15,000,000
4	Lehman Brothers Holdings Inc.	15,000,000	15,000,000
5	Dana Corporation	15,000,000	60,000,000
	Federal Home Loan Mortgage Corporation	15,000,000	
	Lehman Brothers Holdings Inc.	15,000,000	
	Washington Mutual, Inc.	15,000,000	
6	Dana Corporation	15,000,000	30,000,000
	Lehman Brothers Holdings Inc.	15,000,000	

Part B

In respect of each Reference Transaction under the Master Swap Transaction: the Subordination Amount, Total Loss Amount and remaining subordination amount as at the date of this notice

Reference Transaction	Subordination Amount (USD)	Total Loss Amount (USD)	Remaining subordination amount (USD)
1	117,500,000	0	117,500,000
2	117,500,000	0	117,500,000
3	117,500,000	15,000,000	102,500,000
4	117,500,000	15,000,000	102,500,000
5	117,500,000	60,000,000	57,500,000
6	117,500,000	30,000,000	87,500,000

PART C

In respect of the Master Swap Transaction: the Subordination Amount, the Total Loss Amount and the remaining subordination amount, in each case as at the date of this notice

Subordination Amount (USD)	Total Loss Amount (USD)	Remaining subordination amount (USD)
45,000,000	0	45,000,000