



JF JAPAN OTC
FUND INC.

Report of the Auditors

Auditors' Report to the Shareholders of JF Japan OTC Fund Inc. (Incorporated in Cayman Islands with limited liability)

We have audited the accompanying Balance Sheet of JF Japan OTC Fund Inc. (the "Company") as of 31 December 2001 and the related Statement of Operations, Statement of Movements in Net Assets and Cash Flow Statement for the year then ended. These financial statements, set out on pages 17 to 28, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Law of the Cayman Islands and with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2002