
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your shares in JF Japan OTC Fund Inc., you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank or stockbroker or other agent through whom the sale or transfer was made for transmission to the purchaser or transferee.

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JF JAPAN OTC FUND INC.

*(an exempted company incorporated with limited liability
under the laws of the Cayman Islands)
(the "Company")*

Circular on -

**Authority for the Company to repurchase its own Shares
and issuance of Shares**

**Resolutions to be proposed at the
Annual General Meeting of Shareholders
to be held on 15 May 2002**



JF Japan OTC Fund Inc.

(an exempted company incorporated with limited liability
under the laws of the Cayman Islands)
(the “Company”)

Directors:

Nicholas T Sibley* (Chairman)
Bernard C Grigsby II*
Christopher C Grubb*
Piers A Litherland
Simon de L Walters

Registered Office:

PO Box 309
Grand Cayman
Cayman Islands
British West Indies

** Independent Non-Executive Director*

Dear Shareholders,

26 March 2002

Authority for the Company to repurchase its own Shares

At the Annual General Meeting of the Company held in May 2001, resolutions were passed which gave the Company authority to repurchase Shares. Under the rules and regulations of the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, this authority will expire at the next Annual General Meeting of the Company to be held on 15 May 2002 (the “Meeting”), unless it is renewed by the Shareholders.

The Directors continue to believe that it is in the interests of the Company and the Shareholders for the Company to be able to repurchase Shares at times when the discount to net asset value at which the Shares are being traded is substantially out of line with the general level of discounts applicable to securities of broadly comparable investment companies. The Directors consider that share repurchases will benefit the Company and the Shareholders in terms of enhanced net asset value and/or improved earnings per share. The Directors have delegated the authority to effect share repurchase to JF Asset Management Limited, the Investment Manager.

Accordingly, the appropriate resolution will be proposed again for consideration by the Shareholders at the Meeting.

The details of the resolution are set out in the Notice of Meeting contained in the 2001 Annual Report of the Company which is enclosed herein.

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For the benefit of Shareholders, Appendix A sets out certain additional information concerning the proposal.

The Directors consider that the proposal is in the interests of the Company and its Shareholders, and recommend Shareholders to vote in favour of the resolution to be proposed at the Meeting.

A form of proxy for use at the Meeting is enclosed with the 2001 Annual Report of the Company. Shareholders are asked to complete and return it in accordance with the instructions printed thereon as soon as possible, and no later than 11:00 am on 13 May 2002 to 47/F, Jardine House, 1 Connaught Place, Hong Kong. The lodging of a form of proxy does not prevent a Shareholder from attending and voting at the Meeting.

Yours faithfully
For and on behalf of
JF Japan OTC Fund Inc.
Nicholas Sibley
Chairman

The following information is provided for your reference. For the purpose hereof, "Shares" means Shares with a par value of US\$0.25 each in the Company.

1. There were 21,411,400 Shares in issue as at 26 March 2002 (being the Latest Practicable Date prior to the printing of this circular). The number of Shares which may be repurchased will be at the discretion of the Directors, subject to the following restrictions:
 - a) A maximum of 2,141,140 Shares (representing 10 per cent of the issued and fully paid-up Shares outstanding as at 26 March 2002) or 10 per cent of the number of Shares outstanding as at the date of the Meeting, whichever is lower, may be repurchased.
 - b) The price paid per Share will not be more than 5 per cent above the average of the middle market quotations from the Market Makers for the ten business days prior to the relevant repurchase by the Company.
2. It is the intention of the Directors to exercise the authority of the Company to repurchase Shares at times when the discount to net asset value at which the Shares are being traded is substantially out of line with the general level of discounts applicable to securities of broadly comparable investment companies. Such purchases will only be made if and when the Directors consider that it will benefit the Company and the Shareholders in terms of enhanced discount to net asset value and/or improved earnings per Share.
3. In accordance with the provisions of the Company's Memorandum and Articles of Association and the laws of Cayman Islands, the repurchase of Shares will be funded out of the profits of the Company and its share premium account.
4. Repurchases up to the maximum level permitted to be made under the proposal, if granted, will not have a material adverse impact on the working capital or gearing position of the Company.
5. The Directors have undertaken to the Exchange that, so far as the same may be applicable, they will only exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the laws of Cayman Islands and the Listing Rules as varied by the terms of the waiver granted by the Executive effective on 1 April 1992.
6. No connected persons of the Company have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to sell any of the Shares held by them to the Company in the event that the Company is authorised to make repurchases of Shares.

7. No Directors and, to the best of the knowledge of the Directors, no associates (as defined in the Listing Rules) of the Directors, having made all reasonable enquiries, have a present intention to sell Shares to the Company in the event that the Company is authorised to make repurchases of Shares.
8. The Company did not have any dealings of the shares on the Exchange during the period of March 2001 to February 2002. However, the Company repurchased 58,800 Shares through Market Maker in April 2001. The highest and lowest prices paid per Share were US\$2.30 and US\$2.25, respectively.
9. The highest and lowest prices per share at which the shares have been traded on the Market during the previous twelve months were as follows:-

Month		High	Low
		<i>US\$</i>	<i>US\$</i>
March 2001	(shares with a par value of US\$0.25 each)	2.45	2.25
April 2001	(shares with a par value of US\$0.25 each)	2.45	2.25
May 2001	(shares with a par value of US\$0.25 each)	2.85	2.50
June 2001	(shares with a par value of US\$0.25 each)	2.55	2.10
July 2001	(shares with a par value of US\$0.25 each)	2.30	2.20
August 2001	(shares with a par value of US\$0.25 each)	2.25	2.15
September 2001	(shares with a par value of US\$0.25 each)	–	–
October 2001	(shares with a par value of US\$0.25 each)	2.00	1.90
November 2001	(shares with a par value of US\$0.25 each)	2.00	2.00
December 2001	(shares with a par value of US\$0.25 each)	–	–
January 2002	(shares with a par value of US\$0.25 each)	–	–
February 2002	(shares with a par value of US\$0.25 each)	1.70	1.70

10. The Company has no share repurchase during the six month period prior to the date of this circular.
11. The Directors are not aware of any consequences which will arise under the Hong Kong Code on Takeovers and Mergers as a result of the repurchase of Shares.
12. At the Meeting, a resolution will also be proposed that the Directors be given a general and unconditional mandate to issue further Shares. This mandate is for Shares which represent the aggregate of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date on which the resolution is passed and the aggregate nominal amount of the share capital repurchased under the authority to repurchase Shares referred to herein.

For the purposes hereof:-

- i) “Exchange” means The Stock Exchange of Hong Kong Limited.
- ii) “Executive” means the Executive as defined in the Hong Kong Code on Share Repurchase.
- iii) “Listing Rules” means the rules governing the listing of securities on the Exchange.
- iv) “Market Makers” means any one of J.P. Morgan Securities Limited, ING Baring Securities Limited, UBS Warburg, and any other market maker approved from time to time by the Company and the Executive.
- v) “Market” means the market made in the Shares by any of the Market Makers.

If you require a Chinese version of this circular, please contact Ms Jeannie Yan, JF Asset Management Limited at 47/F, Jardine House, 1 Connaught Place, Hong Kong (Telephone no: 852-2843 8888).

閣下如需要本文之中文版，請與怡富甄淑芬小姐聯絡，地址為香港康樂廣場一號怡和大廈四十七樓。
(電話：852-2843 8888)