



The Korea Fund, Inc.

June 30, 2010

This report contains the following two documents:

- Chairman's Letter to Stockholders
- Annual Report to Stockholders — June 30, 2010

Dear Fellow Stockholders:

Introduction

On behalf of your board, I have pleasure in providing you with our report covering the fiscal year ended June 30, 2010, which is referred to herein as the "Period".

During the Period, the stock market of South Korea, as reflected by your Fund's benchmark, the KOSPI, continued a recovery that commenced in March 2009 following on from the global economic crisis of 2008. In the Period, your Fund's net asset value ("NAV") increased from \$29.41 to \$38.54, having peaked at \$42.98 in April: your Fund's share price increased in the same Period from \$27.43 to \$34.74, having peaked at \$38.47 in April.

Performance

Your Fund, as measured by its NAV, performed well in the Period, rising 31.04% against a 27.37% increase in its benchmark, the KOSPI. Such outperformance of some 367 basis points is much in line with your board's expectations from your manager and was due to several factors: primarily it was a result of the overall sound stock selection of your manager but particularly due to overweight positions in the materials, industrials, financials and consumer discretionary sectors, each of which contributed positively to the result.

Also encouraging, your Fund ranked in the second quartile amongst a 15-member peer group¹ of Korea funds assembled by the board's independent investment consultant monitored on a regular basis by your board in conjunction with our investment consultant. In passing it is worth noting that, as a long term trend, there appears to be a high level of volatility in the relative rankings of the managers in this peer group. The effect being a noticeably less consistent level of relative manager performance or, put the other way, a higher level of volatility in relative rankings of managers on, say, a quarterly basis.

Against an alternative benchmark, the MSCI Korea Index which appreciated 31.92% in the Period, your Fund marginally underperformed although demonstrated outperformance in the final quarter of the Period.

A detailed report from your Investment Manager is included in the annual report to stockholders.

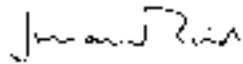
¹ It is worth noting that the peer group assembled by the consultant contains funds registered under the Investment Company Act of 1940 and entities that are not so registered and that certain of the entities of this peer group are subject to different regulator regimes than the Fund and may calculate their performance using different methods, all of which may affect the performance of such entities reported to the Board.

Share Discount Management

Your board monitors as a matter of priority any discount in the share price against its NAV — commonly referred to as the discount. Your board has reviewed and considered numerous alternatives to resolve this perennial problem within the investment companies sector and, during the Period, instigated a share repurchase program. This program is intended to enhance stockholder value given that repurchases made at a discount increase the NAV of the remaining shares. In the Period, some 240,464 shares have been repurchased enhancing the NAV of each remaining share by some .098 cents. Please see the Fund's press release of July 15, 2010 for additional information. Your board will continue to monitor and consider appropriate action regarding share discount.

We thank all our stockholders for their support through the Period.

Yours very sincerely,

A handwritten signature in black ink, appearing to read "Julian Reid". The signature is written in a cursive style with a prominent initial "J".

Julian Reid

Chairman

New York July 28, 2010



The Korea Fund, Inc.

Annual Report
June 30, 2010

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The Korea Fund, Inc. Portfolio Manager's Report

June 30, 2010 (unaudited)

During the past 12 months, the Korean equity market was largely driven by macro issues such as the sustainability of the global economic recovery, possible tightening measures and sovereign credit risk.

For the first half of the period, from July 2009 to December 2009, the KOSPI index continued its steep climb led by the continued macro economic recovery, better than expected corporate earnings and aggressive foreign investor buying. This contrasts with the strong market performance during the first half of 2009, which was largely driven by dissipating financial sector risks and was only partially driven by improving corporate earnings. We believe that auto and information technology companies' growth during the second half of 2009 exceeded market expectations, highlighting the growing presence of the leading Korean companies in the global economy. In addition, the finance and construction sectors experienced a significant increase in stock market performance following a reduction in global financial sector credit risks. Meanwhile, the shipbuilding sector performed poorly due to actual and perceived order delays and cancellations related to the industry overbuilding amidst weakened long-term industry prospects. The stock market rally was further supported by aggressive buying from overseas investors after the FTSE upgraded Korea to developed market status in September. Although Dubai declared a moratorium in November, the market only witnessed a temporary one day drop before quickly resuming its ascent. All in all, the KOSPI index climbed 21.06% in KRW and 32.44% in USD terms in the second half of 2009.

However, in the latter part of the period from January 2010 to June 2010, the market experienced increased volatility due to uncertainties relating to sustainability of the steep macro economic recovery, together with investor profit-taking. In particular, the geopolitical tension between South and North Korea coinciding with the sovereign debt crisis in Southern Europe, caused investors to exit from the equity market to safe haven assets. On May 24, 2010, South Korean president Myung-Bak Lee officially condemned North Korea for its sinking of the South Korean warship, Cheon-an. In response, North Korea announced a total freeze in relations with South Korea and taking a hawkish tone, threatened potential military action. However, we believe past experience shows that North Korea generally uses military provocation as a mechanism to increase economic aid rather than escalate actual military conflict. Hence, we think the North Korean risk is manageable at the moment. During the first half of 2010, the KOSPI was largely flat, up only 0.92% in KRW terms and falling -3.83% in USD terms, due to the rather sharp KRW depreciation against the USD.

Ultimately, the KOSPI rose 22.17% in KRW terms and advanced 27.37% in USD terms for the 12 months ending June 30, 2010.

The Korea Fund, Inc. Portfolio Manager's Report

June 30, 2010 (unaudited) (continued)

The macro economy showed solid recovery for the past 12 months and Korea's year-on-year real GDP growth rate went back into positive territory, starting in the third quarter of 2009 with a rise of 1.1%. The growth rate surged to 8.1% in the first quarter of 2010 and 7.2% during the second quarter of 2010, following the continued expansion in the export sector and recovering domestic demand. While GDP growth was largely driven by exports, we also observed an increase in domestic demand as export companies' earnings growth translated into higher wages and job creation in Korea.

In general the KRW has continued to appreciate against the USD until recently. We believe recent currency weakness is mainly due to risk aversion created by the European debt crisis, coupled with the ongoing geopolitical tensions. While we continue to believe that the KRW will appreciate over the long-term, it is likely to remain weak until Europe shows a concrete resolution that can be enforced by EU members. In light of this situation, as South Korea is an export-driven economy, we believe the current KRW level is favorable enough to maintain the price competitiveness of Korean exporters and thus to continue to drive economic growth.

Despite GDP growth, inflation has not been a concern during the past 12 months. Consumer Price Index growth was 2.7% in May, well within the Bank of Korea's inflation target range of 2% to 4%. Nonetheless, inflation is starting to pick up as the year progresses due to higher import prices and stronger demand. As such, the Bank of Korea raised policy rates by 25 basis points in July and we should not rule out further interest rate hikes during 2010.

Fund Performance

From July 2009 to June 2010, the total return of the Fund on an NAV basis was 31.04% (net of fees). The Fund outperformed its benchmark, KOSPI, by 367 basis points.

Performance Attribution Review & Fund Holdings Characteristics by Market Capitalization

From July 2009 to June 2010, the consumer discretionary, information technology and materials sectors outperformed the KOSPI while industrials, utilities and health care were the worst performing sectors. During the period, our stock picks worked well for the Fund's performance. For example, two of our top three performers, Orion and Korea Plant Service & Engineering in the industrials sector, helped the Fund to advance despite an underweighting in the sector as a whole. On the other hand, the Fund's information technology sector overweight position worked against the Fund's performance as Hynix Semiconductor's strong performance wasn't enough to offset our limited exposure to LED related names.

During the fiscal year ended June 30, 2010, the Fund increased its weighting in mid and small cap stocks from 8% to 19% with a corresponding decrease in the percentage of large cap holdings from 92% of investments to 81%.

Market Outlook

For the rest of 2010 and beyond, we believe normalization of macro economic growth and increasing possibilities of tightening policy could be a short-term stock market overhang. As such, we expect investors to position themselves more defensively, taking profits from cyclical technology and auto sectors to build positions in more domestic consumption related names. As we argued previously, we expect strong exporters' earnings will increase domestic income levels via wage increases and job creation, thereby boosting domestic consumer purchasing power.

Against this backdrop, we will maintain our overweight position in consumer discretionary, mostly across the retail and duty free sub-sectors. Given the technology and automotive sectors' strong outperformance year to date, we believe the relative performance will soften following high year-on-year comparisons, the diminishing impact of government subsidies globally and a slower-than-expected consumer spending and corporate investment trend. Thus, we will maintain underweight positions in both sectors for the time being, at least until we get better visibility over the consumption outlook, especially for the developed economies. Although the corporate investment trend has not yet been robust, we see increasing infrastructure investments, such as power plant construction by developing and Middle Eastern countries, as a long term sustainable business opportunity for Korean heavy machinery and construction companies. We will therefore try to gradually build exposure to this sector of the market. We can see a slowly improving outlook for the construction sector especially given recent restructuring measures for financially weak companies. With more valuation merit and investors' low appetite for the sector, we believe that there could at least be some tactical investment opportunities and we will look for possibilities to increase active positions. Finally, we plan to add more weight to the consumer staples sector by seeking companies with solid overseas growth potential. Regarding utilities and telecommunications, we will remain neutral to underweight given the unchanged fundamental views.

The information contained herein has been obtained from sources believed to be reliable but RCM and its affiliates do not warrant the information to be accurate, complete or reliable. The opinions expressed herein are solely those of the Fund's Portfolio Manager and are subject to change at any time and without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Investors should consider the investment objectives, risks, charges and expenses of any mutual fund carefully before investing. This and other information is contained in the Fund's annual and semi-annual reports, proxy statement and other Fund information, which may be obtained by contacting your financial advisor or visiting the Fund's website at www.thekoreafund.com.

The Korea Fund, Inc. Portfolio Manager's Report

June 30, 2010 (unaudited) (continued)

This information is unaudited and is intended for informational purposes only. It is presented only to provide information on investment strategies and opportunities. The Fund seeks long-term capital appreciation through investment in Korean securities. Investing in non-U.S. securities entails additional risks, including political and economic risk and the risk of currency fluctuations, as well as lower liquidity. These risks, which can result in greater price volatility, will generally be enhanced in less diversified funds that concentrate investments in a particular geographic region. The Fund is a closed-end exchange traded management investment company. This material is presented only to provide information and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange, where shares may trade at a premium or a discount. Holdings are subject to change daily.

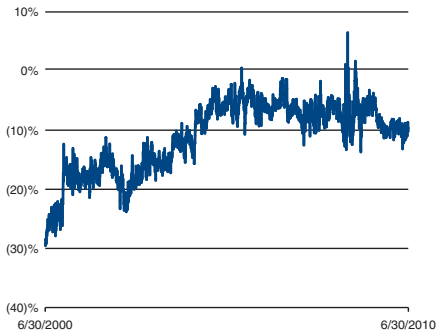
The Korea Fund, Inc. Performance & Statistics

June 30, 2010 (unaudited)

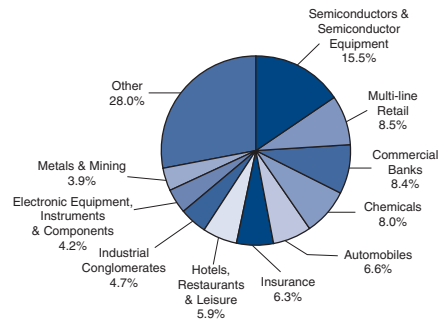
Total Return ⁽¹⁾	1 Year	5 Year	10 Year
Market Price	26.65%	6.17%	12.83%
Net Asset Value ("NAV") ⁽²⁾	31.04%	5.35%	8.87%
KOSPI ⁽³⁾	27.37%	7.34%	6.56%
MSCI Korea (Total Return) ⁽⁴⁾	31.92%	8.95%	8.91%
MSCI Korea (Price Return) ⁽⁴⁾	30.55%	7.58%	7.42%

Premium (Discount) to NAV:

June 30, 2000 to June 30, 2010



Industry Breakdown (as a % of net assets):



(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions if any, have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price and NAV will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a onetime public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

(2) See Note 8 to the Financial Statements.

(3) The Korea Composite Stock Price Index ("KOSPI") is an unmanaged capitalization-weighted index of all common shares on the Stock Market Division of the Korea Exchange (formerly the "Korea Stock Exchange"). The KOSPI returns unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly in the index. Total return for a period of more than one year represents the average annual return.

(4) Morgan Stanley Capital International ("MSCI") Korea Index is a market capitalization-weighted index of equity securities of companies domiciled in Korea. The index is designed to represent the performance of the Korean stock market and excludes certain market segments unavailable to U.S. based investors. The MSCI Korea (Total Return) returns assume reinvestment of dividends while the MSCI Korea (Price Return) returns do not and, unlike Fund returns, neither reflects any fees or expenses. It is not possible to invest directly in the index. Total return for a period of more than one year represents the average annual return.

Market Price/NAV:

Market Price	\$34.74
NAV	\$38.54
Discount to NAV	(9.86)%

Ten Largest Holdings (as a % of net assets):

Samsung Electronics Co., Ltd.	
Manufacturer of electronic parts	12.5%
Orion Corp.	
Food, entertainment and sports conglomerate	4.7%
Hyundai Motor Co.	
Manufacturer of automobiles	4.5%
Lotte Shopping Co., Ltd.	
Department store chain operator	4.4%
LG Chemical Ltd.	
Manufacturer of petrochemical goods and electronic materials	3.8%
Samsung SDI Co., Ltd.	
Manufacturer of digital display devices	3.4%
Shinhan Financial Group Co., Ltd.	
Provides financial products and services	3.2%
Hyundai Department Store Co., Ltd.	
Department store chain operator	3.1%
Hotel Shilla Co., Ltd.	
Operates hotels and duty free shops	3.0%
Kolon Industries, Inc.	
Holding company	2.9%

The Korea Fund, Inc. Schedule of Investments

June 30, 2010

Shares		Value
COMMON STOCK—96.4%		
Auto Components—1.5%		
445,360	Halla Climate Control Corp.	\$ 5,921,693
Automobiles—6.6%		
150,055	Hyundai Motor Co.	17,557,746
319,430	Kia Motors Corp.	8,463,729
		<u>26,021,475</u>
Capital Markets—2.8%		
213,610	Daewoo Securities Co., Ltd.	3,486,553
804,170	Hyundai Securities Co.	7,613,443
		<u>11,099,996</u>
Chemicals—8.0%		
69,578	Cheil Industries, Inc.	5,331,744
224,742	Kolon Industries, Inc. (b)	11,458,124
59,040	LG Chemical Ltd.	14,806,675
		<u>31,596,543</u>
Commercial Banks—8.4%		
377,881	Daegu Bank Ltd.	4,292,965
146,777	KB Financial Group, Inc.	5,626,074
1,036,583	Korea Exchange Bank	10,564,374
337,302	Shinhan Financial Group Co., Ltd.	12,415,787
		<u>32,899,200</u>
Commercial Services & Supplies—2.1%		
151,068	Korea Plant Service & Engineering Co., Ltd.	8,357,535
Construction & Engineering—2.2%		
186,690	Hyundai Engineering & Construction Co., Ltd.	8,583,695
Diversified Telecommunication Services—1.9%		
208,233	KT Corp.	7,689,565
Electric Utilities—2.3%		
343,710	Korea Electric Power Corp. (b)	8,869,404
Electronic Equipment, Instruments & Components—4.2%		
104,300	LG Display Co., Ltd.	3,430,419
94,350	Samsung SDI Co., Ltd.	13,204,172
		<u>16,634,591</u>
Food Products—0.6%		
59,474	Binggrae Co., Ltd.	2,452,421
Hotels, Restaurants & Leisure—5.9%		
574,020	Grand Korea Leisure Co., Ltd.	11,213,532
592,500	Hotel Shilla Co., Ltd.	11,890,865
		<u>23,104,397</u>
Industrial Conglomerates—4.7%		
61,483	Orion Corp.	18,501,775

The Korea Fund, Inc. Schedule of Investments

June 30, 2010 (continued)

Shares		Value
	Insurance—6.3%	
571,360	Hyundai Marine & Fire Insurance Co., Ltd.	\$ 11,322,457
37,254	Samsung Fire & Marine Insurance Co., Ltd.	5,913,562
91,223	Samsung Life Insurance Co., Ltd.	7,726,556
		<u>24,962,575</u>
	Internet & Catalog Retail—0.8%	
479,463	YES24 Co., Ltd. (d)	3,084,693
	Internet Software & Services—0.5%	
12,467	NHN Corp. (b)	1,854,205
	Media—1.3%	
266,480	CJ CGV Co., Ltd.	5,111,738
	Metals & Mining—3.9%	
28,400	Korea Zinc Co., Ltd. (d)	5,014,641
26,984	POSCO	10,224,528
		<u>15,239,169</u>
	Multi-line Retail—8.5%	
127,472	Hyundai Department Store Co., Ltd.	12,177,467
499,400	Hyundai Greenfood Co., Ltd.	3,858,335
60,460	Lotte Shopping Co., Ltd.	17,360,866
		<u>33,396,668</u>
	Oil, Gas & Consumable Fuels—1.2%	
149,580	GS Holdings	4,658,813
	Personal Products—0.8%	
3,819	Amorepacific Corp.	3,249,156
	Pharmaceuticals—2.1%	
80,815	Dong-A Pharmaceutical Co., Ltd.	8,134,640
	Semiconductors & Semiconductor Equipment—15.5%	
277,498	Duksan Hi-Metal Co., Ltd. (b)(d)	4,227,471
124,529	Hynix Semiconductor, Inc. (b)(d)	2,517,112
78,247	Samsung Electronics Co., Ltd.	49,077,602
79,130	Silicon Works Co., Ltd. (b)	5,109,277
		<u>60,931,462</u>
	Software—1.0%	
161,308	Gamevil, Inc. (b)	3,782,565
	Trading Companies & Distributors—2.4%	
226,850	Samsung C&T Corp.	9,578,397
	Wireless Telecommunication Services—0.9%	
27,634	SK Telecom Co., Ltd.	3,621,553
	Total Common Stock (cost—\$277,830,851)	<u>379,337,924</u>

The Korea Fund, Inc. Schedule of Investments

June 30, 2010 (continued)

Shares		Value
SHORT-TERM INVESTMENTS—2.1%		
	Collateral Invested for Securities on Loan (c)—1.9%	
7,383,773	BNY Institutional Cash Reserves Fund, 0.02% (cost—\$7,383,773)	<u>\$ 7,383,773</u>
Principal Amount (000s)		
	Time Deposits—0.2%	
	Brown Brothers Harriman & Co.—Grand Cayman,	
HKD 8	0.01%, 7/1/10	1,045
¥958	0.01%, 7/1/10	10,836
	Citibank—London,	
€46	0.085%, 7/1/10	56,508
£39	0.088%, 7/1/10	58,180
\$556	Wells Fargo—Grand Cayman, 0.03%, 7/1/10	<u>556,145</u>
	Total Time Deposits (cost—\$696,114)	<u>682,714</u>
	Total Short-Term Investments (cost—\$8,079,887)	<u>8,066,487</u>
	Total Investments (cost—\$285,910,738) (a)— 98.5%	387,404,411
	Other assets less liabilities—1.5%	<u>5,960,456</u>
	Net Assets—100%	<u>\$393,364,867</u>

Notes to Schedule of Investments:

- (a) Securities with an aggregate value of \$346,909,327, representing 88.2% of net assets, were valued utilizing modeling tools provided by a third-party vendor as described in Note 1(a) in the Notes to Financial Statements.
- (b) Non-income producing.
- (c) Purchased with cash proceeds from securities on loan.
- (d) All or portion of security on loan with an aggregate market value of \$7,163,548; cash collateral of \$7,383,773 was received with which the Fund purchased short-term investments.

Glossary:

£ — British Pound

€ — Euro

HKD — Hong Kong Dollar

¥ — Japanese Yen

The Korea Fund, Inc. Statement of Assets and Liabilities

June 30, 2010

Assets:	
Investments, at value, including securities on loan of \$7,163,548 (cost—\$285,910,738)	\$387,404,411
Foreign currency, at value (cost—\$12,054,677)	11,976,845
Receivable for investments sold	4,381,412
Dividends and interest receivable (net of foreign withholding taxes)	73,275
Securities lending income receivable, including income from invested cash collateral (net of rebates)	6,126
Prepaid expenses and other assets	167,988
Total Assets	404,010,057
Liabilities:	
Payable for collateral for securities on loan	7,383,773
Payable for investments purchased	1,646,112
Contingent loss for securities lending (See Note 1(h))	904,632
Investment management fees payable	241,133
Accrued expenses	469,540
Total Liabilities	10,645,190
Net Assets	\$393,364,867
Net Assets:	
Common Stock:	
Par value (\$0.01 per share, applicable to 10,205,577 shares issued and outstanding)	\$102,056
Paid-in-capital in excess of par	330,696,487
Dividends in excess of net investment income	(582,448)
Accumulated net realized loss	(37,357,217)
Net unrealized appreciation of investments, foreign currency transactions and contingent loss for securities lending	100,505,989
Net Assets	\$393,364,867
Net Asset Value Per Share	\$38.54

The Korea Fund, Inc. Statement of Operations

Year ended June 30, 2010

Investment Income:	
Dividends (net of foreign withholding taxes of \$904,721)	\$4,578,437
Securities lending income, including income from invested cash collateral (net of rebates)	261,890
Interest (net of foreign withholding taxes of \$7,326)	48,423
Total Investment Income	4,888,750
Expenses:	
Investment management fees	2,901,864
Custodian fees	458,747
Legal fees	363,029
Directors' fees and expenses	268,994
Insurance expense	229,927
Audit and tax services	141,477
Stockholder communications	117,278
New York Stock Exchange listing fees	66,296
Accounting agent fees	55,521
Transfer agent fees	20,808
Miscellaneous	54,844
Total expenses	4,678,785
Net Investment Income	209,965
Realized and Change in Unrealized Gain (Loss):	
Net realized gain on:	
Investments	48,894,307
Foreign currency transactions	572,103
Net change in unrealized appreciation/depreciation of:	
Investments	44,622,340
Foreign currency transactions	(28,152)
Contingent loss for securities lending	219,135
Net realized and change in unrealized gain/loss on investments, foreign currency transactions and contingent loss for securities lending	94,279,733
Net Increase in Net Assets Resulting from Investment Operations	\$94,489,698

The Korea Fund, Inc. Statement of Changes in Net Assets

	Year ended June 30,	
	2010	2009
Investment Operations:		
Net investment income	\$209,965	\$775,783
Net realized gain (loss) on investments and foreign currency transactions	49,466,410	(91,078,283)
Net change in unrealized appreciation/depreciation of investments, foreign currency transactions and contingent loss for securities lending	44,813,323	(112,200,193)
Net increase (decrease) in net assets resulting from investment operations	94,489,698	(202,502,693)
Distributions to Stockholders from Net Realized Gains	—	(220,282,510)
Capital Stock Transactions:		
Reinvestment of distributions	—	176,086,142
Cost of shares repurchased	(8,332,600)	—
Net increase (decrease) from capital stock transactions	(8,332,600)	176,086,142
Total increase (decrease) in net assets	86,157,098	(246,699,061)
Net Assets:		
Beginning of year	307,207,769	553,906,830
End of year (including dividends in excess of net investment income of \$(582,448) and \$(1,870,878), respectively)	\$393,364,867	\$307,207,769
Shares Activity:		
Shares outstanding, beginning of year	10,446,041	10,446,041*
Shares issued in reinvestments of distributions	—	—*
Shares repurchased	(240,464)	—
Shares outstanding, end of the year	10,205,577	10,446,041

* Adjusted for 1-for-10 reverse stock split that occurred on December 22, 2008 (See Note 7 in the Notes to Financial Statements) and Fund shares issued on January 29, 2009 (See Note 8 in the Notes to Financial Statements).

1. Organization and Significant Accounting Policies

The Korea Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended (the "1940 Act"), as a closed-end, non-diversified management investment company organized as a Maryland corporation.

The Fund seeks long-term capital appreciation through investment in securities, primarily equity securities, of Korean companies.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the Fund's financial statements. Actual results could differ from those estimates.

In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

The following is a summary of significant accounting policies consistently followed by the Fund:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Directors, or persons acting at their discretion pursuant to procedures established by the Board of Directors. The Fund's investments are valued daily and the net asset value ("NAV") is calculated as of the close of regular trading (normally 4:00 p.m. Eastern time) on the New York Stock Exchange ("NYSE") on each day the NYSE is open for business using prices supplied by dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. For Korean equity securities (with rare exceptions), the Fund fair values its securities daily using modeling tools provided by a statistical research service. This service utilizes statistics and programs based on historical performance of markets and other economic data (which may include changes in the value of U.S. securities or security indices). Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than U.S. dollar may be affected significantly on a day that the NYSE is closed. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material to the Fund's financial statements.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.* the "exit price") in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

- Level 1 — quoted prices in active markets for identical investments that the Fund has the ability to access
- Level 2 — valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges
- Level 3 — valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Fund to measure fair value during the year ended June 30, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs. When fair-valuing securities, the Fund utilized

The Korea Fund, Inc. Notes to Financial Statements

June 30, 2010 (continued)

1. Organization and Significant Accounting Policies (continued)

the estimation of the price that would have prevailed in a liquid market for Korean common stock using information available at time of evaluation.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund's policy is to recognize transfers between levels at the end of the reporting period.

A summary of the inputs used at June 30, 2010 in valuing the Fund's assets and liabilities is listed below:

	Level 1 – Quoted Prices	Level 2 – Other Significant Observable Inputs	Level 3 – Significant Unobservable Inputs	Value at 6/30/10
Investments in Securities — Assets				
Common Stock:				
Chemicals	\$11,458,124	\$20,138,419	—	\$31,596,543
Insurance	7,726,556	17,236,019	—	24,962,575
Pharmaceuticals	8,134,640	—	—	8,134,640
Semiconductors & Semiconductor Equipment	5,109,277	55,822,185	—	60,931,462
All Other	—	253,712,704	—	253,712,704
Short-Term Investments	—	8,066,487	—	8,066,487
Total Investments	<u>\$32,428,597</u>	<u>\$354,975,814</u>	<u>—</u>	<u>\$387,404,411</u>

There were no significant transfers into and out of Levels 1 and 2 during the year ended June 30, 2010.

(c) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are recorded on the identified cost basis. Interest income is recorded on an accrual basis net of foreign withholding taxes. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Korean-based corporations have generally adopted calendar year-ends, and their interim and final corporate actions are normally approved, finalized and announced by their boards of directors and stockholders in the first and third quarters of each calendar year. Generally, estimates of their dividends are accrued on the ex-dividend date principally in the prior December and/or June period ends. These dividend announcements are recorded by the Fund on such ex-dividend dates. Any subsequent adjustments thereto by Korean corporations are recorded when announced. Presently, dividend income from Korean equity investments is earned primarily in the last calendar quarter of each year, and will be received primarily in the first calendar quarter of each year. Certain other dividends and related withholding taxes, if applicable, from Korean securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends and taxes.

(d) Federal Income Taxes

The Fund intends to distribute all of its taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Fund, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Fund's management has determined that its evaluation has resulted in no material impact to the Fund's financial statements at June 30, 2010. The Fund's federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

(e) Foreign Investment and Exchange Controls in Korea

The Foreign Exchange Transaction Act, the Presidential Decree relating to such Act and the regulations of the Minister of Finance and Economy issued thereunder impose certain limitations and controls which generally affect foreign investors in Korea. Through August 18, 2005, the Fund had a license from the Ministry of Finance and Economy to invest in Korean securities and to repatriate income received from dividends and interest earned on, and net realized capital

1. Organization and Significant Accounting Policies (continued)

gains from, its investments in Korean securities or to repatriate from investment principal up to 10% of the net asset value (taken at current value) of the Fund (except upon termination of the Fund, or for expenses in excess of Fund income, in which case the foregoing restriction shall not apply). Under the Foreign Exchange Transaction Act, the Minister of Finance and Economy has the power, with prior public notice of scope and duration, to suspend all or a part of foreign exchange transactions when emergency measures are deemed necessary in case of radical change in the international or domestic economic situation. The Fund could be adversely affected by delays in, or the refusal to grant, any required governmental approval for such transactions.

In order to complete its tender offer, however, the Fund relinquished its license from the Korean Ministry of Finance and Economy effective August 19, 2005. The Fund had engaged in negotiations with the Korean Ministry of Finance and Economy concerning the feasibility of the Fund's license being amended to allow the Fund to repatriate more than 10% of Fund capital. However, the Ministry of Finance and Economy advised the Fund that the license cannot be amended as a result of a change in the Korean regulations. As a result of the relinquishment of the license, the Fund is subject to the Korean securities transaction tax equal to 0.3% of the fair market value of any portfolio securities transferred by the Fund on the Korea Exchange and 0.5% of the fair market value of any portfolio securities transferred outside of the Korea Exchange. The relinquishment will not otherwise affect the Fund's operations.

Various restrictions currently apply with respect to investing in equity securities of Korean banks and certain designated public corporations and telecommunications corporations listed on the Korea Exchange. Currently the Fund and its affiliates would require the approval of the Financial Supervisory Commission (the "FSC") before obtaining aggregate beneficial ownership of more than 10% of the outstanding voting shares of a national bank or 15% of the outstanding voting shares of a regional bank and additional FSC approvals would be required before specified higher ownership percentages could be exceeded. With respect to certain public and telecommunications corporations, the Fund's holdings in SK Telecom Co., Ltd. were subject to a foreign ownership limit of 49% as of June 30, 2010.

(f) Dividends and Distributions

The Fund declares dividends from net investment income and distributions of net realized capital gains, if any, annually. The Fund records dividends and distributions to its stockholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book-tax" differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes; they are reported as dividends and/or distributions of paid-in capital in excess of par.

(g) Foreign Currency Translation

The Fund's accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market value of investments and other assets and liabilities denominated in foreign currency are translated at the prevailing exchange rate at the end of the period; and (2) purchases and sales, income and expenses are translated at the prevailing exchange rate on the respective dates of such transactions. The resulting net foreign currency gain (loss) is included in the Fund's Statement of Operations.

The Fund does not generally isolate that portion of the results of operations arising as a result of changes in the foreign currency exchange rates from the fluctuations arising from changes in the market prices of securities. Accordingly, such foreign currency gain (loss) is included in net realized and unrealized gain (loss) on investments. However, the Fund does isolate the effect of fluctuations in foreign currency exchange rates when determining the gain (loss) upon the sale or maturity of foreign currency denominated debt obligations pursuant to U.S. federal income tax regulations; such amount is categorized as foreign currency gain (loss) for both financial reporting and income tax reporting purposes.

At June 30, 2010, the exchange rate for Korean Won was WON 1,221.97 to U.S. \$1.

(h) Securities Lending

The Fund may engage in securities lending. The loans are secured by collateral at least equal, at all times, to the market value of the loaned securities. During the term of the loan, the Fund will continue to receive any dividends or amounts equivalent thereto, on the loaned securities while receiving a fee from the borrower and/or earning interest on the investment of the cash collateral. Securities lending income is disclosed as such in the Statement of Operations. Income generated from the investment of cash collateral, less negotiated rebate fees paid to borrowers and transaction costs, is allocated between the Fund and securities lending agent. Cash collateral received for securities on loan is

1. Organization and Significant Accounting Policies (continued)

invested in securities identified in the Schedule of Investments and the corresponding liability is recognized as such in the Statement of Assets and Liabilities. Loans are subject to termination at the option of the borrower or the Fund.

Upon termination of the loan, the borrower will return to the lender securities identical to the loaned securities. The Fund may pay reasonable finders', administration and custodial fees in connection with a loan of its securities and may share the interest earned on the collateral with the borrower. The Fund bears the risk of delay in recovery of, or even loss of rights in, the securities loaned should the borrower of the securities fail financially. The Fund also bears the risk of loss in the event the securities purchased with cash collateral depreciate in value.

In connection with the Fund's cash collateral investment in BNY Institutional Cash Reserves Fund ("CR") at September 12, 2008, the Fund may be subject to losses on investments in certain Lehman Brothers securities held in CR.

2. Principal Risks

In the normal course of business, the Fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Fund is exposed to various risks such as, but not limited to, foreign currency, market price and counterparty risks.

The Fund invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including economic growth, changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Fund's investments in foreign currency-denominated securities may reduce the returns of the Fund.

The Fund is subjected to elements of risk not typically associated with investments in the U.S., due to concentrated investments in specific industries or investments in foreign issuers located in a specific country or region. Such concentrations will subject the Fund to additional risks resulting from future political or economic conditions in such country or region and the possible imposition of adverse governmental laws of currency exchange restrictions affecting such country or region, which could cause the securities and their markets to be less liquid and prices more volatile than those of comparable U.S. companies.

The market values of equity securities, such as common and preferred stock, or equity-related investments such as options, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

The Fund is exposed to counterparty risk, or the risk that an institution or other entity with which the Fund has unsettled or open transactions will default. The potential loss to the Fund could exceed the value of the financial assets recorded in the Fund's financial statements. Financial assets, which potentially expose the Fund to counterparty risk, consist principally of cash due from counterparties and investments. The Fund's sub-adviser, RCM Asia Pacific Limited (the "Sub-Adviser"), an affiliate of RCM Capital Management LLC (the "Investment Manager"), seeks to minimize counterparty risk to the Fund by performing reviews of each counterparty and by minimizing concentration of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Fund has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Korea Fund, Inc. Notes to Financial Statements

June 30, 2010 (continued)

3. Investment Manager/Sub-Adviser/Sub-Administrator

The Fund has an Investment Management Agreement (the "Management Agreement") with the Investment Manager. Subject to the supervision of the Fund's Board of Directors, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund's investment activities, business affairs, and other administrative matters. Pursuant to the Management Agreement, the Investment Manager receives an annual fee, payable on a monthly basis, at the annual rate of 0.75% of the value of the Fund's average daily net assets up to \$250 million; 0.725% of the next \$250 million of average daily net assets; 0.70% of the next \$250 million of average daily net assets; 0.675% of the next \$250 million of average daily net assets and 0.65% of average daily net assets in excess of \$1 billion. For the year ended June 30, 2010, the Fund paid investment management fees at an effective rate of 0.74% of the Fund's average daily net assets.

The Investment Manager has retained its affiliates, the Sub-Adviser and Allianz Global Investors Fund Management LLC (the "Sub-Administrator") to manage the Fund's investments and provide administrative services to the Fund, respectively. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Fund's investment decisions. The Investment Manager, and not the Fund, pays a portion of the fee it receives as Investment Manager to the Sub-Adviser and Sub-Administrator in return for their services. The Investment Manager, Sub-Adviser and Sub-Administrator are indirect wholly-owned subsidiaries of Allianz SE, a publicly traded European insurance and financial services company.

4. Investments in Securities

During the year ended June 30, 2010, purchases and sales of investment securities (excluding short-term investments) aggregated \$330,256,179 and \$341,056,976, respectively.

5. Income Tax Information

The tax character of dividends and distributions paid were:

	Year ended June 30,	
	2010	2009
Ordinary Income	—	\$11,412,536
Long-Term Capital Gains	—	\$208,869,974

At June 30, 2010, the Fund had no distributable earnings.

In accordance with U.S. Treasury regulations, the Fund elected to defer realized foreign currency losses of \$582,450 arising after October 31, 2009. Such losses are treated as arising on July 1, 2010.

For the year ended June 30, 2010, permanent "book-tax" differences were primarily attributable to foreign currency transactions and net operating losses. These adjustments were to decrease dividends in excess of net investment income by \$1,078,465, increase accumulated net realized loss by \$712,136 and decrease paid-in-capital in excess of par by \$366,329.

At June 30, 2010, the Fund had a capital loss carryforward of \$37,331,804, (\$32,131,717 of which will expire in 2017 and \$5,200,087 of which will expire in 2018) and is available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

The cost basis of portfolio securities for federal income tax purposes is \$285,936,150. Aggregated gross unrealized appreciation for securities in which there is an excess value over tax cost is \$115,888,860; aggregate gross unrealized depreciation for securities in which there is an excess of tax cost over value is \$14,420,599; and net unrealized appreciation for federal income tax purposes is \$101,468,261. The difference between book and tax net unrealized appreciation is attributable to wash sales.

6. Discount Management Program

In March 2010, pursuant to the Discount Management Program previously adopted by the Fund's Board of Directors, the Fund instituted a share repurchase program. The program allows the Fund to repurchase in the open market up to 5% of its common shares outstanding as of February 22, 2010. Fund shares are repurchased at a discount to net asset value in accordance with procedures approved by the Board of Directors and its Discount Management Committee. The share repurchase program has no time limit. For the year ended June 30, 2010, the Fund repurchased 240,464 shares of common stock on the open market at a total cost, inclusive of commissions, of \$8,332,600 at a per-share weighted average discount to net asset value of approximately 10.90%. The Fund did not repurchase shares during the year ended June 30, 2009.

7. Reverse Stock Split

On December 10, 2008, the Fund declared a reverse stock split on a 1-for-10 basis. Each Fund stockholder of record on December 22, 2008 received one share of the Fund with a net asset value of \$126.18 per share for every ten shares of the Fund with a net asset value of \$12.62 per share. Prior year share information in the Statement of Changes in Net Assets and all prior year per share information in the Financial Highlights were previously restated to reflect the reverse stock split. The reverse stock split had no impact on total investment return, net assets, ratios or portfolio turnover rates presented in the Financial Highlights.

8. Fund Shares Issued

On December 22, 2008, the Fund declared a capital gain distribution of \$90.30 per share. The distribution was to be made in newly issued fund shares, based on the Fund's market price per share on January 26, 2009 ("Pricing Date"), unless a cash election was made. The total cash to be distributed was limited to 20% of the aggregate dollar amount of the total distribution (excluding any cash paid in lieu of fractional shares). On January 29, 2009 (the payable date) the Fund issued 8,007,555 shares based on the market price of \$21.99 per share on the Pricing Date. Prior year share information in the Statement of Changes in Net Assets and all prior year per share information in the Financial Highlights were previously restated to reflect the Fund shares issued. The Fund shares issued had no impact on total investment return, net assets, ratios or portfolio turnover presented in the Financial Highlights. Net asset value total return for periods that include December 2008 and January 2009 has been calculated assuming that this capital gain distribution was paid entirely in newly issued Fund shares priced at the Fund's net asset value at the close of business on the Pricing Date. In addition, the Fund adjusted its net asset value on December 31, 2008 for purposes of calculating performance by using the actual number of shares outstanding on such date (excluding any estimate of shares to be issued upon reinvestment).

9. Fund Ownership

At June 30, 2010, the City of London Investment Group PLC and Lazard Asset Management LLC held approximately 26% and 10%, respectively, of the Fund's outstanding shares.

10. Legal Proceedings

The disclosure below relates to the Sub-Administrator, certain of its affiliates and their employees. The Investment Manager, the Sub-Adviser and the Sub-Administrator believe that these matters are not likely to have a material adverse effect on the Fund or their ability to perform their respective investment advisory and administration activities relating to the Fund.

In June and September 2004, the Investment Manager and certain of its affiliates (including PEA Capital LLC ("PEA"), Allianz Global Investors Distributors LLC and Allianz Global Investors of America, L.P.), agreed to settle, without admitting or denying the allegations, claims brought by the Securities and Exchange Commission ("SEC") and the New Jersey Attorney General alleging violations of federal and state securities laws with respect to certain open-end funds for which the Sub-Administrator serves as investment adviser. The settlements related to an alleged "market timing" arrangement in certain open-end funds formerly sub-advised by PEA. The Sub-Administrator and its affiliates agreed to pay a total of \$68 million to settle the claims. In addition to monetary payments, the settling parties agreed to undertake certain corporate governance, compliance and disclosure reforms related to market timing, and consented to cease and desist orders and censures. Subsequent to these events, PEA deregistered as an investment adviser and dissolved. None of the settlements alleged that any inappropriate activity took place with respect to the Fund.

Since February 2004, the Sub-Administrator and certain of its affiliates and their employees have been named as defendants in a number of pending lawsuits concerning "market timing," which allege the same or similar conduct underlying the regulatory settlements discussed above. The market timing lawsuits have been consolidated in a multi-district litigation proceeding in the U.S. District Court for the District of Maryland (the "MDL Court"). After a number of claims in the lawsuits were dismissed by the MDL Court, the parties entered into a stipulation of settlement, which was publicly filed with the MDL Court in April 2010, resolving all remaining claims, but the settlement remains subject to the approval of the MDL Court.

The Korea Fund, Inc. Financial Highlights

For a share of stock outstanding throughout each year:

	Year ended June 30,				
	2010	2009	2008*	2007*	2006*
Net asset value, beginning of year	\$29.41	\$53.03	\$99.38	\$90.73	\$67.93
Investment Operations:					
Net investment income	0.02	0.07 (1)	0.26 (1)	0.89 (1)	0.77 (1)
Net realized and change in unrealized gain/loss on investments, contingent loss for securities lending, redemptions-in-kind, investments in Affiliates and foreign currency transactions	9.01	(19.47)	(5.11)	24.19	23.09
Total from investment operations	9.03	(19.40)	(4.85)	25.08	23.86
Dividends and Distributions to Stockholders from:					
Net investment income	—	—	(0.40)	(1.05)	(1.17)
Net realized gains	—	(21.08)	(40.24)	(15.57)	(0.82)
Total dividends and distributions to stockholders	—	(21.08)	(40.64)	(16.62)	(1.99)
Capital Stock Transactions:					
Accretion (dilution) to net asset value resulting from share repurchases, shares tendered and reinvestment of distributions for shares at value	0.10	16.86	(0.86)	0.19	0.93
Net asset value, end of year	\$38.54	\$29.41	\$53.03	\$99.38	\$90.73
Market price, end of year	\$34.74	\$27.43	\$49.89	\$92.42	\$84.81
Total Investment Return: (2)					
Net asset value	31.04%	(35.13)% (3)	(14.69)%	31.08%	36.50%
Market price	26.65%	(34.43)%	(9.61)%	32.39%	35.72%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of year (000s)	\$393,365	\$307,208	\$553,907	\$1,033,216	\$1,048,087
Ratio of expenses to average net assets	1.19%	1.43%	1.06%	0.96%	0.89%
Ratio of net investment income to average net assets	0.05%	0.23%	0.31%	0.99%	0.90%
Portfolio turnover	89%	80%	38%	50%	9%

* Adjusted for 1-for-10 reverse stock split that occurred on December 22, 2008 (See Note 7 in the Notes to Financial Statements) and Fund shares issued on January 29, 2009 (See Note 8 in the Notes to Financial Statements).

(1) Calculated on average shares outstanding.

(2) Total investment return is calculated by subtracting the value of an investment in the Fund at the beginning of the specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends and capital gain distributions have been reinvested. Total investment return does not reflect broker commissions in connection with the purchases or sales of Fund shares.

(3) See Note 8 to the Financial Statements.

To the Board of Directors and Stockholders of The Korea Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Korea Fund, Inc. (hereafter referred to as the "Fund") at June 30, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at June 30, 2010 by correspondence with the custodian, brokers and agent banks, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Kansas City, Missouri
August 19, 2010

The Korea Fund, Inc. Stockholder Meeting Results (unaudited)

Stockholder Meeting Results:

The Fund held its annual meeting of stockholders on October 28, 2009. Stockholders voted as indicated below:

	Affirmative	Against	Withheld
Election of Ronaldo A. da Frota Nogueira—Class III to serve until 2012	7,253,779	237,532	115,319
Election of Richard A. Silver—Class III to serve until 2012	4,735,717	229,526	2,641,387

Messrs. Julian Reid, Christopher Russell and Kesop Yun continue to serve as Directors of the Fund.

At the annual stockholders meeting, the Board of Directors also solicited the views of the stockholders regarding whether the Fund should continue in its current form. The results of the stockholder polling, as shown below, were non-binding.

<u>Affirmative</u>	<u>Against</u>	<u>Abstain</u>
1,760,976	2,613,763	44,452

Privacy Policy:

Our Commitment to You

We consider customer privacy to be a fundamental aspect of our relationship with stockholders and are committed to maintaining the confidentiality, integrity and security of our current, prospective and former stockholders' personal information. To ensure stockholders' privacy, we have developed policies designed to protect this confidentiality, while allowing stockholders' needs to be served.

Obtaining Personal Information

In the course of providing stockholders with products and services, we may obtain non-public personal information about stockholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from stockholder transactions, from a stockholder's brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on our internet web sites.

Respecting Your Privacy

As a matter of policy, we do not disclose any personal or account information provided by stockholders or gathered by us to non-affiliated third parties, except as required for our everyday business purposes, such as to process transactions or service a stockholder's account, or as otherwise permitted by law. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, and gathering stockholder proxies. We may also retain non-affiliated financial service providers, such as broker-dealers, to market our shares or products and we may enter into joint-marketing agreements with them and other financial companies. We also may retain marketing and research service firms to conduct research on stockholder satisfaction. These companies may have access to a stockholder's personal and account information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide a stockholder's personal and account information to their respective brokerage or financial advisory firm, Custodian, and/or to your financial adviser or consultant.

Sharing Information with Third Parties

We reserve the right to disclose or report personal information to non-affiliated third parties, in limited circumstances, where we believe in good faith that disclosure is required under law to cooperate with regulators or law enforcement authorities, to protect our rights or property or upon reasonable request by any Fund in which a stockholder's has chosen to invest. In addition, we may disclose information about a stockholder's accounts to a non-affiliated third party only if we receive a stockholder's written request or consent.

Sharing Information with Affiliates

We may share client information with our affiliates in connection with our affiliates' everyday business purposes, such as servicing a stockholder's account, but our affiliates may not use this information to market products and services to you except in conformance with applicable laws or regulations. The information we share includes information about our experiences and transactions with a stockholder and may include, for example, a stockholder's participation in one of the Funds or in other investment programs, a stockholder's ownership of certain types of accounts (such as IRAs), or other data about a stockholder's transactions or accounts. Our affiliates, in turn, are not permitted to share your information with non-affiliated entities, except as required or permitted by law.

Procedures to Safeguard Private Information

We take seriously the obligation to safeguard stockholder non-public personal information. In addition to this policy, we have also implemented procedures that are designed to restrict access to a stockholder's non-public personal information only to internal personnel who need to know that information in order to provide products or services to such stockholders. In addition, we have physical, electronic and procedural safeguards in place to guard a stockholder's non-public personal information.

Disposal of Confidential Records

We will dispose of records, if any, that are knowingly derived from data received from a consumer reporting agency regarding a stockholder that is an individual in a manner that ensures the confidentiality of the data is maintained. Such records include, among other things, copies of consumer reports and notes of conversations with individuals at consumer reporting agencies.

Proxy Voting Policies & Procedures:

A description of the policies and procedures that the Fund has adopted to determine how to vote proxies relating to portfolio securities and information about how the Fund voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Fund's stockholder servicing agent at (800) 254-5197; (ii) on the Fund's website at www.allianzinvestors.com/closedendfunds; and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

The Plan

The Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") offers you an automatic way to reinvest your dividends and capital gains distributions in shares of the Fund. The Plan also provides for cash investments in Fund shares of \$100 to \$3,000 semiannually through BNY Mellon (the "Plan Agent"). The Plan Agent also provides record keeping services for participants in the Plan. If you would like a copy of the Plan, please call the Plan Agent at (800) 254-5197.

Automatic Participation

Each stockholder of record is automatically a participant in the Plan unless the stockholder has instructed the Plan Agent in writing otherwise. Such a notice must be received by the Plan Agent not less than 10 days prior to the record date for a dividend or distribution in order to be effective with respect to that dividend or distribution. A notice which is not received by that time will be effective only with respect to subsequent dividends and distributions. Stockholders who do not participate in the Plan will receive all distributions in cash paid by check in dollars mailed directly to the stockholder by the Plan Agent, as dividend paying agent.

Shares Held by a Nominee

If your shares are held in the name of a brokerage firm, bank, or other nominee as the stockholder of record, please consult your nominee (or any successor nominee) to determine whether it is participating in the Plan on your behalf. Many nominees are generally authorized to receive cash dividends unless they are specifically instructed by a client to reinvest. If you would like your nominee to participate in the Plan on your behalf, you should give your nominee instructions to that effect as soon as possible.

Pricing of Dividends and Distributions

If the market price per share on the payment date for the dividend or distribution (the "Valuation Date") equals or exceeds net asset value per share on that date, the Fund will issue (i) shares of the Fund's common stock that are issued but not outstanding ("Treasury Stock") to the extent shares of Treasury Stock are available, and then (ii) to the extent shares of Treasury Stock are not available, newly issued shares of the Fund's common stock to participants at the greater of the following on the Valuation Date: (a) net asset value or (b) 95% of the market price. The Valuation Date will be the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading date, the next preceding trading date. If the net asset value exceeds the market price of Fund shares at such time, the Plan Agent will use the dividend or distribution (less each participant's pro rata share of brokerage commissions) to buy Fund shares in the open market for the participants' account. Such purchases will be made on or shortly after the payment date for such dividend or distribution, and in no event more than 45 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with federal securities law. In either case, for Federal income tax purposes, the stockholder receives a distribution equal to the market value on the Valuation Date of new shares issued. State and local taxes may also apply. If the Fund should declare an income dividend or net capital gains distribution payable only in cash, the Plan Agent will, as agent for the participants, buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' account on, or shortly after, the payment date.

Voluntary Cash Purchases

Participants in the Plan have the option of making additional cash payments to the Plan Agent, semiannually, in any amount from \$100 to \$3,000, for investment in the Fund's shares. The Plan Agent will use all such monies received from participants to purchase Fund shares in the open market on or about February 15 and August 15. Any voluntary cash payments received more than 30 days prior to these dates will be returned by the Plan Agent, and interest will not be paid on any uninvested cash payments. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Agent, it is suggested that participants send in voluntary cash payments to be received by the Plan Agent approximately ten days before February 15, or August 15, as the case may be. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before such payment is to be invested.

Participant Plan Accounts

The Plan Agent maintains all participant accounts in the Plan and furnishes written confirmation of all transactions in the account, including information needed by participants for personal and tax records. Shares in the account of each plan participant will be held by the Plan Agent in non-certificated form in the name of the participant, and each participant will be able to vote those shares purchased pursuant to the Plan at a stockholder meeting or by proxy.

No Service Fee to Reinvest

There is no service fee charged to participants for reinvesting dividends or distributions from net realized capital gains. The Plan Agent's fees for the handling of the reinvestment of dividends and capital gains distributions will be paid by the Fund. There will be no brokerage commissions with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, participants will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of any dividends or capital gains distributions.

Costs for Cash Purchases

With respect to purchases of Fund shares from voluntary cash payments, each participant will be charged \$0.75 for each such purchase. Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases of Fund shares in connection with voluntary cash payments made by the participant.

Brokerage charges for purchasing small amounts of stock for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions, because the Plan Agent will be purchasing stock for all participants in blocks and pro-rating the lower commission thus attainable.

Amendment or Termination

The Fund reserves the right to terminate the Plan. Notice of the termination will be sent to the participants of the Plan at least 30 days before the record date for a dividend or distribution. The Plan also may be amended by the Fund, but (except when necessary or appropriate to comply with applicable law, rules or policies of a regulatory authority) only by giving at least 30 days' written notice to participants in the Plan.

A participant may terminate his account under the Plan by written notice to the Plan Agent. If the written notice is received 10 days before the record day of any distribution, it will be effective immediately. If received after that date, it will be effective as soon as possible after the reinvestment of the dividend or distribution.

If a participant elects to sell his shares before the Plan is terminated, the Plan Agent will deduct a \$2.50 fee plus brokerage commissions from the sale transaction.

The Fund and the Plan Agent reserve the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from the Fund's shareholder servicing agent, BNY Mellon, P.O. Box 43027, Providence, RI 02940-3027, telephone number (800) 254-5197.

The Korea Fund, Inc. Board of Directors (unaudited)

Name, Date of Birth, Position(s) Held with Fund, Length of Service, Other Trusteeships/Directorships Held by Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Director

Principal Occupation(s) During Past 5 Years:

The address of each director is 555 Mission Street, San Francisco, CA 94105.

Julian Reid

Date of Birth: 7/8/44

Chairman of the Board of Directors since: 2005

Director since: 2004

Director of 1 fund in Fund Complex

Director of 2 funds outside of Fund Complex

Director and Chairman of 3a Funds Group (since 1998); Director of the Saffron Fund, Inc.; Director of JF China Region Fund, Inc. (since 1997); Director and Chairman of Prosperity Voskhod Fund Ltd. (since 2006); and Director of ASA Ltd. (since 2008); formerly, Director and Chairman of Morgan's Walk Properties Ltd. (2002-2006) (residential property owner/ manager).

Ronaldo A. da Frota Nogueira

Date of Birth: 7/31/38

Director since: 2000

Director of no funds in Fund Complex;

Director of no funds outside of Fund Complex

Director and Chief Executive Officer, IMF Editora Ltd. (financial publisher). Formerly, Chairman, Sovereign High Yield Investment Company Ltd.; Chairman of the Certification Committee and Director, APIMEC Nacional (Brazilian Association of Investment Professionals and Analysts) (until 2009); Member, Board of the Association of Certified International Investment Analysts (ACIIA) (until 2009); Director of The Brazil Fund, Inc. (1987-2006); Director of DWS Global Commodities Stock Fund, Inc. (2004-2005) and DWS Global High Income Fund, Inc. (1992-2005).

Christopher Russell

Date of Birth: 1/8/49

Director since: 2004

Director of 1 fund in Fund Complex

Director of no funds outside of Fund Complex

Director of Enhanced Index Funds pcc (since 2002); Director of JP Morgan Japan Smaller Companies Investment Trust plc (since 2006); Director of Hanseatic Asset Management LBG (asset management company) (since 2008); Director of The Association of Investment Companies Ltd (trade body representing UK investment companies) (since 2009); Director of Schroders (C.I.) Ltd. (private bank) (since 2009); Director of Castle Asia Alternative pcc Ltd (fund of Asian hedge funds) (since 2009); Director of F&C Commercial Property Trust Ltd., (UK commercial property investment co.) (since 2009); Director of HSBC Infrastructure Company Ltd. (fund of infrastructure investments) (since 2010); Director of Salters' Management Company (charitable endowment) (since 2003); Associate of Gavekal Research (since 2001). Formerly, Director of Candover Investments plc (private equity) (since 2004-2010).

Richard A. Silver

Date of Birth: 1/10/47

Director since: 2006

Director of 1 fund in Fund Complex

Director of no funds outside of Fund complex

Retired. Formerly, Executive Vice President, Fidelity Investments (2000-2005).

Kesop Yun

Date of Birth: 5/20/45

Director since: 1999 and (1984-1988)

Director of 1 fund in Fund Complex

Director of no funds outside of Fund complex

Professor, College of Business Administration, Seoul National University, Seoul, Korea. Formerly, Director of DWS Global Commodities Stock Fund, Inc. (2004-2005) and DWS Global High Income Fund, Inc. (2001-2005).

The Fund holds annual stockholder meetings for the purpose of electing Directors, and Directors are elected for fixed terms. The Board of Directors is currently divided into three classes, each having a term of three years.

Each year the term of one class expires. Each Director's term of office expires on the date of the third annual meeting following election to office of the Director's class. Each Director will serve until next elected or his or her earlier death, resignation, retirement or removal or if not reelected, until his or her successor is elected and has qualified.

Further information about certain of the Fund's Directors is available in the Fund's Statements of Additional Information, dated March 31, 1997, which can be obtained upon request, without charge, by calling the Fund's stockholder servicing agent at (800) 254-5197. However, this information is as of March 31, 1997 and has not been updated.

The Korea Fund, Inc. Fund Officers (unaudited)

Name, Date of Birth, Position(s) Held with Fund.	Principal Occupation(s) During Past 5 Years:
Robert Goldstein <i>Date of Birth: 2/8/63</i> <i>President & Chief Executive Officer since: 2007</i>	Managing Director and Chief Executive Officer of RCM Capital Management LLC.
Brian S. Shlissel <i>Date of Birth: 11/14/64</i> <i>Treasurer, Principal Financial & Accounting Officer since: 2007</i>	Managing Director, Head of Mutual Fund Services, Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 29 funds in the Fund Complex; Treasurer, Principal Financial and Accounting Officer of 52 funds in the Allianz Global Investors Fund Complex. Formerly, Director of Premier VIT.
Thomas J. Fuccillo <i>Date of Birth: 3/22/68</i> <i>Secretary & Chief Legal Officer since: 2007</i>	Executive Vice President, Chief Legal Officer and Secretary of Allianz Global Investors Fund Management LLC; Executive Vice President of Allianz Global Investors of America L.P.; Vice President, Secretary and Chief Legal Officer of 81 funds in the Allianz Global Investors Fund Complex. Formerly, Vice President, Secretary and Chief Legal Officer of Premier VIT.
Lawrence G. Altadonna <i>Date of Birth: 3/10/66</i> <i>Assistant Treasurer since: 2007</i>	Senior Vice President, Director of Fund Administration, Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting Officer of 29 funds in the Fund Complex; Assistant Treasurer of 52 funds in the Fund Complex. Formerly, Treasurer, Principal Financial and Accounting Officer of Premier VIT.
Richard J. Cochran <i>Date of Birth: 1/23/61</i> <i>Assistant Treasurer since: 2008</i>	Vice President, Tax Manager, Allianz Global Investors Fund Management LLC, Assistant Treasurer of 81 funds in the Allianz Global Investors Funds Complex. Formerly, Assistant Treasurer of Premier VIT. Formerly, Tax Manager, Teacher Insurance Annuity Association/College Retirement Equity Fund (TIAA-CREF), 2002-2008.
Youse E. Guia <i>Date of Birth: 9/3/72</i> <i>Chief Compliance Officer since: 2007</i>	Senior Vice President Group Compliance Manager, Allianz Global Investors of America L.P.; Chief Compliance Officer of 81 funds in the Allianz Global Investors Fund Complex. Formerly, Chief Compliance Officer of Premier VIT.
Lagan Srivastava <i>Date of Birth: 9/20/77</i> <i>Assistant Secretary since: 2007</i>	Assistant Secretary of 81 funds in the Allianz Global Investors Fund Complex. Formerly, Assistant Secretary of Premier VIT.

Officers hold office at the pleasure of the Board and until their successors are appointed and qualified or until their earlier resignation or removal.

Directors

Julian Reid
Chairman of the Board of Directors
Ronaldo A. da Frota Nogueira
Christopher Russell
Richard A. Silver
Kesop Yun

Fund Officers

Robert Goldstein
President & Chief Executive Officer
Brian S. Shlissel
Treasurer, Principal Financial & Accounting Officer
Thomas J. Fuccillo
Secretary & Chief Legal Officer
Lawrence G. Altadonna
Assistant Treasurer
Richard J. Cochran
Assistant Treasurer
Youse E. Guia
Chief Compliance Officer
Lagan Srivastava
Assistant Secretary

Investment Manager/Administrator

RCM Capital Management LLC
555 Mission Street, Suite 1700
San Francisco, CA 94105

Sub-Adviser

RCM Asia Pacific Limited
21/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Sub-Administrator

Allianz Global Investors Fund Management LLC
1345 Avenue of the Americas
New York, NY 10105

Custodian

Brown Brothers Harriman & Co.
40 Water Street
Boston, MA 02109

Accounting Agent

State Street Bank & Trust Co.
801 Pennsylvania Avenue
Kansas City, MO 64105-1307

Transfer Agent, Dividend Paying Agent and Registrar

BNY Mellon
P.O. Box 43027
Providence, RI 02940-3027

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
1100 Walnut, Suite 1300
Kansas City, MO 64106

Legal Counsel

Ropes & Gray LLP
One International Place
Boston, MA 02110-2624

This report, including the financial information herein, is transmitted to the stockholders of The Korea Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of its fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Fund's website at www.thekoreafund.com.

Information on the Fund is available at www.thekoreafund.com or by calling the Fund's stockholder servicing agent at (800) 254-5197.

