



## The Korea Fund, Inc. Capital Gain Distribution Frequently Asked Questions

### **Q: What are the terms of the capital gain distribution?**

A: On October 16, 2007, the Fund declared a capital gain distribution of \$15.94 per share, consisting of long-term capital gains of \$15.82 per share and short-term capital gains of \$0.12 per share. The distribution includes both realized capital gains for the fiscal year ended June 30, 2007 and an estimate of net capital gains realized through October 12, 2007. Any further capital gains realized through October 31, 2007 in excess of the estimate will be part of another dividend to be paid in January 2008.

The distribution will be payable on November 28, 2007 to shareholders of record on October 26, 2007 with an ex-dividend date of November 29, 2007, **provided you hold your shares until the payable date.**

### **Q: Why does the ex-dividend date follow the payable date?**

A: The New York Stock Exchange (NYSE) rules provide that any distribution in excess of 25% must trade "ex" on the day after the mail date for the distribution. A due bill, which is the right to receive the distribution, will attach to shares sold after October 24, 2007.

If a stockholder sells his or her KF shares anytime before the payment date on November 28, 2007, that stockholder is selling the distribution along with those shares. The seller then loses the distribution and the new owner is entitled to receive the distribution. This is why it is necessary to hold your shares up to and including the payment date (November 28) to receive the distribution.

### **Q: How do I elect cash for this distribution?**

A: The distribution will be made in newly issued Fund shares unless you elect to receive cash. Only stockholders of record (those who own KF on October 26<sup>th</sup>) will receive a written notice of the planned distribution in the mail and have the option to elect the dividend to be paid in cash.

### **Q: How and when must shareholders of record notify us if they want cash?**

A: For Direct Holders (who hold their shares directly with and receive their statements directly from the Fund's transfer agent, PFPC, Inc.): A written notice of the planned distribution will be sent in the mail and you will have the option to elect the dividend to be paid in cash. To receive cash, you must sign the card attached to that letter and mail it in the enclosed postage paid return envelope so that it will be received by PFPC Inc. no later than 4:00p.m. Eastern Standard Time on November 20, 2007.

For Holders with Brokerage Accounts or Financial Advisors: If your shares are held in a brokerage account or in "street name", both you and your Broker Dealer/Financial Advisor will receive written notices of the planned distribution in the mail. To receive cash, you must contact your financial advisor by 4:00 p.m. Eastern Standard Time on November 19, 2007 and your Broker Dealer / Financial Advisor must inform the Fund via DTC by 8:00 p.m. on the same day.

**Q: What happens if I do not elect cash by the above deadlines? Can I still have cash?**

A: No. If your option card is not received by PFPC (direct holders) by 4:00 p.m. EST on November 20, 2007 or if you did not contact your Broker Dealer/Financial Advisor (other holders) by 4:00 p.m. EST on November 19, 2007, you will automatically receive the distribution in newly issued shares of common stock of the Fund plus cash in lieu of a fraction of a share, except that if you are a direct holder and participate in the Fund's reinvestment plan you will receive newly issued full and fractional shares.

**Q: How do I elect newly issued Fund shares for my distribution?**

A: It is not necessary to choose this option. You will automatically receive new shares if we do not hear from you by the deadlines for cash election as described above. No action is required to receive your \$15.94 per share distribution in shares.

**Q: At what price will I receive my distribution in new shares?**

A: Your distribution will be based on the lower of market price or net asset value (but not at a discount of more than 5% from the market price), as of the payable date of November 28, 2007.

The market price at the close of business on November 28, 2007 will be adjusted to reflect the distribution.

**Q: Will the KF stock still trade down on the ex-dividend date?**

A: Yes, KF's market price will be discounted by the distribution amount of \$15.94 when the stock opens on the ex-dividend date of November 29, 2007.

**Q: What are the tax consequences of this distribution?**

A: The full amount of the distribution, whether received in additional Fund shares or cash, will be classified as long-term (\$15.82) and short-term (\$0.12) capital gains.

This distribution may be reportable on your 2007 federal income tax return. In January 2008, the Fund will send notices to stockholders regarding the federal income tax status of all distributions made in 2007. The Fund's distributions may also be subject to state and local taxes, and you should consult your tax advisor regarding your tax situation.

**Q: If I purchase KF on the record date of October 26<sup>th</sup>, am I considered a shareholder of record and thus entitled to the distribution?**

A: You may not be considered a shareholder of record if you bought shares on October 26<sup>th</sup> because of settlement. Typically for stocks, the settlement period is three days (T+3) after the transaction. This means that the buyer must transfer cash to the seller, and the seller must transfer ownership of the stock to the buyer within three days after the trade was made. It is necessary to check with your Broker Dealer or Financial Advisor to confirm the settlement period for your stock trades.

**Q: If I want to receive this distribution, do I need to be a stockholder of record on October 26th?**

A: Not necessarily. All stockholders on November 28, 2007 will receive the distribution. Stockholders who purchase shares of the Fund's common stock on or before November 14, 2007 (trade date with settlement on November 16, 2007) will have the option to elect to receive the distribution in cash. Any shares purchased after a trade date of November 14, 2007 will not entitle the new owner to elect to receive the distribution in cash, and the new owner will automatically receive the distribution in newly issued shares of the Fund's common stock.

**Q: What if I bought shares after the record date (October 26), will I still receive the distribution?**

A: Yes, as long as you own KF stock before or on the payable date of November 28<sup>th</sup>, you will receive the distribution. Because KF shares are now trading with a due bill attached, the seller would be selling his distribution along with his shares to the new owner. A new owner who buys after October 26, 2007 will receive the distribution in cash only if:

1. the shares are purchased on or before the trade date of November 14, 2007; and
2. the election to receive the distribution in cash is made by November 19, 2007.

**Q: What if I sell my shares after the record date (October 26), will I still receive the distribution?**

A: No, you must hold your shares until the payable date of November 28<sup>th</sup> to receive the distribution. If you sell your shares on or before the payable date, the shares will be sold with a due bill, which represents the right to receive the distribution. Thus, you would be selling your distribution along with your shares to the new owner.

**Q: How long must I hold stock to receive the distribution?**

A: Up to and including the payable date of November 28, 2007.

**Q: Will the Fund be buying shares in the open market or issuing new shares for this distribution?**

A: The Fund will be issuing new shares.

**Q: Who will be liable for taxes on the distribution if a shareholder sells between the record and payable date, the original shareholder or the new owner as of the payable date?**

A: The new owner as of the payable date would be liable for taxes on the distribution. The full amount of the distribution, whether received in additional Fund shares or cash, will be reportable by stockholders who are U.S. taxpayers as long-term or short-term capital gains on their U.S. federal income tax returns. In addition, the amount distributed will be net of any applicable withholding taxes.

**Q: Where can I find additional information?**

A: Additional information regarding this distribution can be found in the Fund's proxy statement dated March 2, 2007, which is available on the Fund's website, [www.thekoreafund.com](http://www.thekoreafund.com). Further information about the Fund including its audited financial statements for the fiscal year ended June 30, 2007 is contained in the Annual Report, which is available on the Fund's website, or can be obtained, without charge, by calling the Fund at (800) 331-1710.