



The Korea Fund, Inc. (NYSE: KF)

FOR IMMEDIATE RELEASE

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THE KOREA FUND, INC. ANNOUNCES PLAN FOR YEAR-END DISTRIBUTION TO BE PAID IN JANUARY 2009 AND REVERSE STOCK SPLIT

NEW YORK, December 10, 2008 – The Korea Fund, Inc. (NYSE: KF) (the "Fund") announced today a plan for the distribution of its long-term and short-term capital gains in January 2009. Earlier this fall, the Fund had proposed to make this distribution to a stockholder in Fund shares, unless the stockholder elected to receive cash (the "Cash Election Distribution"). The Fund had voluntarily sought stockholder approval for the proposed Cash Election Distribution, which received the support of a majority of shares voted, but failed to achieve the absolute majority of outstanding shares required to pass. Given the recent market turmoil and significant drop in the Fund's net assets (the Fund's net asset value per share dropped from \$17.78 as of the date of the proxy statement seeking approval of the Cash Election Distribution to \$10.91 as of December 9, 2008), the Board has decided on a new course of action.

After significant deliberation, the Board has decided to declare a Cash Election Distribution with a cap on the total amount of cash to be distributed by the Fund ("Capped Cash Election Distribution"). This new Capped Cash Election Distribution would be declared without seeking shareholder approval, based on relief granted by the NYSE, the advice of counsel and practice within the industry. Implementation of the Capped Cash Election Distribution as described below will ultimately depend on a number of factors, including receipt of a favorable IRS private letter ruling or a satisfactory opinion of tax counsel. Any changes to the current plan as outlined herein will be disclosed in a future press release.

Cash Election Distribution with a Cap on the Cash Component

The Fund intends to declare a distribution in December 2008 of approximately \$220.3 million of its short- and long-term capital gains to be paid in January 2009. The distribution would be paid in the Fund's common stock priced at market price, adjusted to reflect the distribution (the "Adjusted Market Price"). The Adjusted Market Price would be calculated by subtracting the amount of the distribution from the Fund's net asset value on the pricing date and adjusting the result to reflect the percentage premium or discount, as applicable, existing on the pricing date. The pricing date would be a date shortly before the payment date of the distribution. The Fund is subject to market risk prior to the pricing date that, under exceptional

circumstances, might result in the payment of a distribution of less than \$220.3 million.

Stockholders may, however, request that their distribution be paid in cash in lieu of common stock. Such requests must be for the entire distribution payable to the stockholder; however, the aggregate amount of cash distributions to all stockholders will be capped, or limited, to 20% of the aggregate dollar amount of the total distribution. Thus, if the cash elections would cause the total amount of cash to be distributed by the Fund to exceed the 20% cap, each stockholder who requests cash will receive a pro rata portion of the cash distributed to all stockholders who have made cash elections. Stockholders who elect cash and do not receive 100% of their distribution in cash will receive the balance in common stock. Stockholders not electing cash will receive their distribution all in common stock. Additional information regarding the Capped Cash Election Distribution will be provided following the declaration of the distribution.

The Board of Directors carefully considered all options available to them, including an all-cash distribution or a Cash Election Distribution without a cap on the cash component, and has decided to go forward with the Capped Cash Election Distribution for the following reasons:

- The Fund would be required to sell \$220.3 million of its securities into the severely distressed Korean market in order to raise sufficient funds to pay a cash distribution.
- The Fund's adviser estimates that the Fund would incur approximately \$2.5 million in transaction costs (both brokerage costs and market impact) to liquidate \$220.3 million in securities.
- In addition to the costs above, distributing \$220.3 million in cash could have an unintended consequence of forcing the dissolution of the Fund. Based on the Fund's net asset value in recent weeks, the ongoing viability of the Fund in light of the assets remaining after any such distribution would be uncertain (e.g., due to greatly increased expense ratios and the difficulty of investing a significantly reduced pool of assets on a diversified basis). If the Board were to decide to wind up the Fund's affairs, this would have several consequences. First, the Fund would need to liquidate all or a substantial portion of its remaining assets, which would have added transaction costs. Second, because the Fund cannot dissolve without the vote of two-thirds of the Fund's outstanding shares, the costs of soliciting shareholder approval of the Fund's dissolution would likely be high. Finally, shareholders would no longer be able to use the Fund as a vehicle to achieve exposure to the Korean markets with the benefit of the expertise of RCM Asia Pacific Limited.

Reverse Stock Split

The Board has also approved a 1-for-10 reverse stock split of the Fund's issued and outstanding shares to take effect on December 22, 2008. As a result of the reverse

stock split, every 10 outstanding Fund shares will be converted into 1 share, thereby reducing by a factor of 10 the number of shares outstanding. Each stockholder will hold the same percentage of the Fund's outstanding common stock immediately following the reverse stock split as such stockholder held immediately prior to the reverse stock split, subject to adjustments for fractional shares resulting from the reverse stock split. Stockholders will be paid cash for any fractional shares resulting from the reverse stock split.

The Board approved the reverse stock split because it is possible that, in connection with the January 2009 distribution described above, the Fund may face one or both of the following issues: (i) the number of shares the Fund will be required to issue, together with the Fund's currently outstanding shares, may be greater than the Fund's total authorized shares and/or (ii) the Fund's market price per share following the distribution may be less than the \$1.00 per share threshold required for continued listing on the NYSE. Because the reverse stock split will reduce by a factor of 10 the number of shares that will be distributed in connection with the distribution, the likelihood that the Fund will need to face either of these issues will be substantially reduced.

Record holders will receive a letter with additional information regarding the reverse stock split. Holders of certificates representing pre-split shares of the Fund's common stock, upon surrender of their certificates representing such pre-split shares, will receive uncertificated post-split shares of the Fund's common stock (i.e., a stockholder's holdings of post-split shares will be reflected only in the Fund's record books). **Stockholders will not be able to trade their shares or to receive any dividends or other distributions until the surrender of the certificates representing such pre-split shares of the Fund's common stock.** The reverse stock split will occur for holders of uncertificated shares without further action by such stockholders, and the changes resulting from the reverse stock split will be automatically reflected in the Fund's record books.

Continuation Vote

As noted above, one of the Board's primary reasons for going forward with the Capped Cash Election Distribution is to avoid the unintended liquidation of the Fund at a time that, due to market conditions, may not be advantageous to shareholders. However, in light of this decision the Board proposes to give shareholders a voice regarding the future of the Fund. Specifically, the Board intends to solicit the recommendation of shareholders regarding the continuation of the Fund at the 2009 annual shareholder meeting. This proposal would give shareholders the opportunity to consider carefully, hopefully in more normal market conditions, if the Fund should continue. Because the Board is subject to a continuing obligation to make decisions that it believes are in the best interests of the Fund, the Board could only take steps to follow the recommendation of shareholders if it makes an independent determination that such action would be in the Fund's best interests at that time (although the shareholder vote needs to be non-binding, the outcome would be taken seriously into consideration by the Board as it evaluates the future of the Fund). Similarly, in light of this continuing obligation, the Board could also take actions different from those described above as market conditions and other factors

change, including without limitation (i) determining prior to the 2009 annual shareholder meeting that winding up the Fund's affairs is in the best interests of the Fund and putting a binding dissolution proposal to shareholders or (ii) delaying the non-binding proposal to shareholders regarding the continuation of the Fund.

The Korea Fund, Inc. is a non-diversified, closed-end investment company that seeks long-term capital appreciation through investments in securities, primarily in equity securities, of Korean companies. Its shares are listed on the New York Stock Exchange under the symbol "KF."

RCM Capital Management LLC and RCM Asia Pacific Limited are the Fund's investment manager and sub-adviser, respectively. Investment in closed-end funds involves risks. Additional risks are associated with international investing, such as currency fluctuation, government regulations, economic changes and differences in liquidity, which may increase the volatility of your investment. Foreign security markets generally exhibit greater price volatility and are less liquid than the U.S. market. Additionally, this Fund focuses its investments in certain geographical regions, thereby increasing its vulnerability to developments in that region. All of these factors potentially subject the Fund's shares to greater price volatility. The net asset value of the Fund will fluctuate with the value of the underlying securities. Closed-end funds trade on their market value, not net asset value, and closed-end funds often trade at a discount to their net asset value.

The Fund's daily New York Stock Exchange closing price and net asset value per share, as well as other information, including updated portfolio statistics and performance, are available at www.thekoreafund.com or by calling the Fund's shareholder servicing agent at (800) 331-1710.

Statements made in this release that look forward in time involve risks and uncertainties and are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such risks and uncertainties include, without limitation, the adverse effect from a decline in the securities markets or a decline in the Fund's performance, a general downturn in the economy, competition from other companies, changes in government policy or regulation, inability to attract or retain key employees, inability to implement its operating strategy and/or acquisition strategy, and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations.

This announcement is not an offer to purchase or the solicitation of an offer to sell shares of the Fund or a prospectus, circular or representation intended for use in the purchase or sale of Fund shares.

Fund shares are not FDIC-insured and are not deposits or other obligations of, or guaranteed by, any bank. Fund shares involve investment risk, including possible loss of principal.