

The Depository Trust Company

IMPORTANT

B#: 1403

DATE: February 06, 2001

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers and Reorganization Managers

SUBJECT: Optional Dividend: The Korea Fund Inc. CUSIP:500634100
R/D:01/26/01 P/D:02/28/01 EX:03/01/01 Settle:03/05/01
Special 10%* Distribution with various Option
preferences. DTC EDS Cut-off 02/22/01

***** **WARNING TIME CRITICAL** *****

It is imperative that participants read this notice in its entirety as it relates to an optional dividend that is both complex and different than those normally processed by DTC.

The New York Stock Exchange has ruled an ex-date of March 1, 2001. The agent is requesting that DTC furnish them with participants' option election instructions on February 23, 2001. As a result, participant option elections will be based on their record date position only.

A subsequent announcement with the function code 11 will be used to monitor participant s' interim activity (receives and delivers) from January 29, 2001 up to and including March 5, 2001. DTC will settle all "Due Bills" in shares of SK Telecom ADRs CUSIP: 78440P108, the mandatory default option

Participants who have positions in the above captioned security on the record date of **01/26/01** may elect to receive the dividend distribution as follows:

Reinvest Option #1: You may elect to **reinvest the cash proceed** from the sale of **SK Telecom ADR** stock for additional shares of **The Korea Fund**.

Cash Option #2: You may elect to **receive cash proceed** from the sale of **SK Telecom ADRs**.

All sales of SK Telecom ADRs, and all purchases of Korea Fund shares, will be made at prices then prevailing. If you choose to sell SK Telecom ADRs, you should be aware that sales may take up to a week

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to complete in order to minimize adverse effects on the market for SK Telecom ADRs, and that, during that time, you will be subject to market risk in the price of the SK Telecom ADRs to be sold.

Stock Option #3: You may elect to **receive the spin-off shares of SK Telecom**. Fractional shares will be paid in cash. The number of shares to be issued in the spin-off dividend will be determined on February 27, 2001. **(Mandatory Default) if no election is made.**

Minimum Default #4: All stockholders who would receive fewer than 25 SK Telecom ADRs will receive cash in lieu of SK Telecom ADRs.

Based on the January 26, 2001 NAV stockholders holding 431 or less shares of The Korea Fund, would receive fewer than 25 SK Telecom ADRs and will automatically receive cash in lieu of SK Telecom ADRs, in order to avoid the potential incurrence of transaction costs that would be disproportionately high in relation to the amount of the dividend. The final rate is still to be determined on February 27, 2001.

PARTICIPANTS NOT RESPONDING TO THE ABOVE OPTION BY 02/22/01, WILL RECEIVE THE MANDATORY DISTRIBUTION IN ACCORDANCE WITH OPTION #3 (STOCK WITH FRACTIONS IN CASH).

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Tax matters. The Fund expects that the entire amount of the special dividend will be treated for U.S. federal income tax purposes as a capital gains distribution, taxable to U.S. stockholders at the rates applicable to long-term capital gains. Long-term capital gains generally are not taxable to foreign stockholders. However, because the amount the Fund is permitted to distribute each year as capital gains is limited based on the amount of the Fund's overall net capital gains for its fiscal year ending June 30, there can be no certainty that the entire distribution will be taxed as a capital gain until after the fiscal year closes on June 30, 2001. Any amount in excess of the amount the Fund is permitted to distribute as capital gains would be taxed at ordinary income rates. The Fund will provide further information concerning the tax treatment of the special dividend after June 30, 2001.

For purposes of determining any gain or loss on any subsequent sale or other disposition of the SK Telecom ADRs, each stockholder's U.S. federal income tax basis (cost) in the SK Telecom ADRs will be equal to the fair market value of the ADRs at the time of the distribution. Each stockholder's holding period for the SK Telecom ADRs will begin on the payment date.

If you elect to sell the SK Telecom ADRs, you may recognize a gain or loss equal to the difference between the fair market value of the SK Telecom ADRs at the time of the distribution and the net proceeds from the sales. Such gain or loss, if any, will generally be a short-term capital gain or loss.

Stockholders are urged to consult their own tax advisers concerning the tax impact of the special dividend.

To confirm your Record Date positions, DTC participants should access the Dividend and Allocation History (DPAL) Option, via the PTS Dividend Announcements Inquiry (DIVA) function.

Questions about the dividend. Stockholders with questions concerning the special dividend should contact Georgeson Shareholder Communications at 888-682-7296 or the Zurich Scudder information line at 800-349-4281.

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, DTC participants should contact Mr. John McCarthy or Mr. Ray Lew of DTC's Dividend Department at (212) 855-4521/4523.

*The total amount of SK Telecom ADRs to be distributed will represent 10% of Korea Fund's net asset value at the time of payment. (Under the terms of the Fund's license to invest in Korean securities, the Fund cannot repatriate more than 10% of its investment principal.) The number of SK Telecom ADRs to be received by stockholders will be calculated based on the volume-weighted average price of SK Telecom ADRs over the three trading days ending February 27, 2001, and the Fund's closing NAV on February 27, 2001.