

KOREA FUND INC
Form N-30D
August 26, 2002
[Korea Fund logo]

The Korea Fund, Inc.

Annual Report

June 30, 2002

A closed-end investment company seeking long-term capital appreciation through investment in Korean securities.

The Korea Fund, Inc.

Investment Objective and Policies

long-term capital appreciation through investment in Korean securities

Investment Characteristics

investments in a broad spectrum of Korean industries

closed-end investment company

first United States investment company authorized to invest in Korean securities

a vehicle for international diversification through participation in the Korean economy

a vehicle providing investments in some less liquid Korean opportunities

General Information

Executive Offices

The Korea Fund, Inc.
345 Park Avenue
New York, NY 10154

For fund information: 1-800-349-4281
or cef.scudder.com

Transfer Agent and Registrar	Scudder Investments Service Company P.O. Box 219153 Kansas City, MO 64121-9153 For account information: 1-800-294-4366
Dividend Reinvestment Plan Agent	UMB Bank, N.A.
Legal Counsel	Debevoise & Plimpton
Custodian	Brown Brothers Harriman & Co.
Subcustodian	Citibank, N.A. - Seoul office
Independent Accountants	PricewaterhouseCoopers LLP
New York Stock Exchange Symbol - KF	

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Directors and
Officers

This report is sent 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 or sale of shares of the fund or of any securities mentioned in the report.

Letter to Stockholders

Dear Stockholders:

Posting 24.80 percent increase in local currency terms and 35.11 percent increase in U.S. dollar terms, the KOSPI Index was among the strongest stock markets in the world for the one-year period ended June 30, 2002. The Korea Fund's total return based on net asset value (NAV) was 56.39 percent for the one-year period ended June 30, 2002, significantly outpacing its benchmark. The fund's share price on the New York Stock Exchange closed at \$16.44 per share, representing a discount of 18.61 percent to NAV on that date. The fund's total return based on share price was 56.71 percent for the one-year period ended June 30, 2002.

Consumer Proves Vital to Korean Economy

In the last report, we discussed several factors that have contributed to a stronger economy in Korea, with improving consumer confidence playing a key role. These trends have persisted. Indeed, strong domestic consumption along with

an increased regional appetite for Korean exports depleted inventory and triggered increased production over the past year. Corporate profits remained healthy. Economic growth as measured by gross domestic product is now close to six percent, and the rate for 2002 is expected to be around five to six percent. Domestic demand has remained strong due to a combination of rising income, lower interest rates, credit expansion and improving consumer confidence, reinforced by optimism over structural reform. Finally, the way of life for business in Korea has been altered fundamentally by the taming of the influence exerted by the *chaebols* - overextended, state-backed conglomerates whose priorities typically do not include shareholder value. Since 1998, roughly half of the Korean *chaebols* have been either downsized or eliminated altogether.

Toward the end of the period under review, however, the influence of the strong consumer demand in the Korean markets slackened somewhat. While the Korean economic recovery is not heavily dependent on an upturn in U.S. technology investments, improvements in this sector will reinforce any complete recovery. Severe weakness in the U.S. stock market, particularly in the technology sector, had a negative impact on Korea's market. Political uncertainty with the upcoming presidential election and the investigations and indictment of some of President Kim Dae Jung's family members also contributed to the enhanced volatility in recent months.

Fund Performance and Strategy

The fund has been well-positioned to take advantage of the strong Korean economy and markets. We had aggressively added blue chip stocks last year in a defensive response to various global factors. As a result, several positions were overweight relative to the benchmark, which contributed strongly to performance when these equities rallied. For example, Kookmin Bank, fueled in part by merger euphoria, was up 127.4 percent for the period, and our stake there was 5.26 percent heavier than the index's. Similarly, Samsung Fire & Marine Insurance and LG Home Shopping contributed significantly to returns. We also experienced success with turnaround-story Hyundai Department Store, which was up 132.9 percent for the one-year period. This company continues to benefit from exceptionally strong domestic consumer demand and the resulting revenue growth. Our relative performance was also helped by our underweight in or absence from select poorly performing, large capitalization stocks such as Korea Electric Power.

Our strategy has not changed. We remain overweighted in financials, where corporate reform is increasingly apparent. Accounting transparency is key in these cases. This is an issue which has taken on global significance given a number of highly publicized accounting scandals, especially in the United States. We also focus on businesses that stand to benefit from strong consumer demand, such as retailers.

As announced in recent communications, Zurich Scudder Investments, Inc. was acquired by Deutsche Bank AG in April. While the investment management, philosophy, objective and processes of The Korea Fund were not affected by this development, the new investment owner provides broader research capabilities and resources. This enhancement is important in an equity market that is still quite young and where research coverage is light. While a handful of the largest Korean companies are regularly researched by analysts worldwide, countless lesser-known businesses have demonstrated strong earnings capabilities. Our expanded capabilities reinforce our focus on fundamental research that seeks to identify attractively valued, well-managed companies with strong balance sheets and solid prospects for long-term growth.

Trendsetting and Outlook

We are monitoring the broadband industry in Korea carefully, because there are very interesting opportunities in this sector. Sixty percent of South Korea's households access the Internet via broadband, which is the highest household penetration in the world. We expect this to increase significantly in the near future. It is noteworthy that such penetration is only at 45 percent in the United States. The transformation of Seoul's suburbia into a truly digital city could be globally trend-setting. Plans are in the works for the citizens of Seongnam to be able to use digital mobile phones to pay for all purchases within the city, including from vending machines.

There is some concern that the recent weakening of the U.S. dollar will hurt Korean exports - the corresponding strengthening of the won could render Korean exports more expensive and dampen economic growth. Of greater concern is the potential for higher inflation, as economic growth in Korea continues at a strong clip. The central bank appears to be addressing this situation, having already raised interest rates. Korea continues to open its economy, both domestically and internationally. As it diversifies its export markets, it becomes increasingly less dependent on developments in the United States. It is ideally located to benefit from resurgent growth in the Pacific Basin, and already China has become its second largest export market. Finally, although the political noise around the upcoming presidential election will likely be acute over the near term, we believe reform will proceed regardless of any shifts in the political makeup of the country. We continue to see more shareholder-oriented practices being adopted by management, which over the long term enhance transparency and profitability, regardless of currency dynamics or politics.

We appreciate your continued support of The Korea Fund. We take pride in our family of closed-end funds and look forward to answering any questions you may have about them. Please feel free to contact our Shareholder Services/Information Line at (800) 349-4281.

Sincerely,

/s/ Nicholas Bratt

/s/ Richard T. Hale

Nicholas Bratt President and Director	Richard T. Hale Chairman of the Board and Director
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The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation.

Other Information

Investment Manager

On April 5, 2002, Zurich Scudder Investments (ZSI) was acquired by Deutsche Bank. Upon the closing of this transaction, ZSI became part of Deutsche Asset Management and changed its name to Deutsche Investment Management Americas Inc.

Deutsche Investment Management Americas Inc. (DeIM), which is part of Deutsche Asset Management, is the investment manager ("Manager") for The Korea Fund, Inc. DeIM has more than 80 years of experience managing mutual funds and provides a full range of investment advisory services to institutional and retail clients. DeIM is also responsible for selecting brokers and dealers and for negotiating brokerage commissions and dealer charges.

Deutsche Asset Management is a global asset management organization that offers a wide range of investing expertise and resources, including more than 500 portfolio managers and analysts and an office network that reaches the world's major investment centers. This well-resourced global investment platform brings together a wide variety of experience and investment insight, across industries, regions, asset classes and investing styles.

DeIM is an indirect, wholly-owned subsidiary of Deutsche Bank AG. Deutsche Bank AG is a major global banking institution that is engaged in a wide range of financial services, including investment management, mutual fund, retail, private and commercial banking, investment banking and insurance.

In addition to the fund, DeIM also manages the assets of other closed-end investment companies which invest primarily in foreign securities including: Scudder New Asia Fund, Inc., The Brazil Fund, Inc., Scudder Global High Income Fund, Inc., The Germany Fund, The New Germany Fund and The Central European Equity Fund.

Korean Advisor

Effective July 9, 2002, Deutsche Investments Trust Management Company Limited, an affiliate of Deutsche Investment Management Americas Inc., serves as subadvisor to the fund. Deutsche Investments Trust Management Company Limited renders investment advisory and management services with regard to the portion of the fund's portfolio that is allocated to it by Deutsche Investment Management Americas Inc. from time-to-time for management. The staff makes specific investment recommendations, which are then evaluated by the Manager's research department and portfolio managers in light of their own expertise and information from other sources in making investment decisions for the fund.

A Team Approach to Investing

The Korea Fund, Inc. is managed by a team of investment professionals who each play an important role in the fund's management process. Team members work together to develop investment strategies and select securities for the fund's portfolio. The Manager believes the team approach benefits fund investors by bringing together many disciplines and leveraging its extensive resources.

Lead Portfolio Manager John J. Lee has set the fund's investment strategy and overseen its daily operation since 1991, the year he joined the Manager's global equity area. Portfolio Manager Nicholas Bratt has been a member of the fund team since inception of the fund in 1984, and has over 27 years of experience in worldwide investing. Mr. Bratt, who has been with the Manager since 1976, is the Director of the Manager's Global Portfolio Management Group.

Dividend Reinvestment and Cash Purchase Plan

The fund's Dividend Reinvestment and Cash Purchase Plan offers you a convenient way to have your dividends and capital gain distributions reinvested in shares of the fund. We believe this Plan is attractive for stockholders. Its features are more fully described on page [37](#). You may obtain more detailed information by requesting a copy of the Plan from the Transfer Agent. All correspondence (including notifications) should be directed to: The Korea Fund Dividend Reinvestment and Cash Purchase Plan, c/o Scudder Investments Service Company, P.O. Box 219066, Kansas City, MO 4121-9066, 1-800-294-4366.

Share Repurchases

The Board of Directors of The Korea Fund, Inc. has authorized the fund to effect periodic repurchases of its shares in the open market from time to time when the fund's shares trade at a discount to their NAV. Subject to periodic review by the fund's Board of Directors, repurchases may be made at such times and in such amounts as the Manager believes will further the achievement of the fund's objectives and depending on market conditions, available funds, regulatory requirements and alternative investment opportunities. During the year ended June 30, 2002, 75,000 fund shares were purchased by the fund.

Net Asset Value

The fund's NAV is published weekly on Monday and the fund's Market Value is published every weekday in *The Wall Street Journal* under the heading "Closed End Funds." The fund's NAV is also published in *The New York Times* and *Barron's*.

Investment Policy Effective July 31, 2002:

The fund's investment policy and supporting disclosure was changed to the following, effective July 31, 2002:

It is the policy of the fund normally to invest at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities listed on the Korea Stock Exchange. The Board will provide stockholders with at least 60 days' notice prior to making any changes to this 80% investment policy.

Investment Summary as of June 30, 2002

Historical Information								
	Total Return (%)							
	Market Value		Net Asset Value (a)		Index (b)		Index (c)	
	Cumulative	Average Annual	Cumulative	Average Annual	Cumulative	Average Annual	Cumulative	Average Annual
Current Quarter	-7.07	-	-2.60	-	-8.39	-	-22.04	-
One Year	56.71	56.71	56.39	56.39	35.11	35.11	24.80	24.80
Three Year	28.65	8.76	32.63	9.87	-18.95	-6.76	-15.89	-5.60
Five Year	29.74	5.35	77.64	12.18	-26.61	-6.00	-.36	-.07
Ten Year	115.42	7.98	155.24	9.82	-11.50	-1.21	34.54	3.01

Per Share Information and Returns (a)										
	Yearly periods ended June 30									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net Asset Value (\$)	11.40	18.66	19.89	18.52	13.22	5.63	17.72	20.04	13.01	20.20
Income Dividends (\$)	.04	.01	-	.06	-	-	-	-	.18	-
Capital Gains Distributions (\$)	.20	-	.15	.36	.60	-	-	-	1.41	.12
Total Return (%)	8.20	63.77	13.00	-5.09	-24.40	-57.41	214.74	13.09	-25.01	56.39

(a) Total investment returns reflect changes in net asset value per share during each period and assume that dividends and capital gains distributions, if any, were reinvested. These percentages are not an indication of the performance of a shareholder's investment in the Fund based on market price.

(b) Korea Stock Price Index ("KOSPI") in U.S. Dollars.

(c) KOSPI in local terms.

KOSPI is a capitalization-weighted index of all common shares on the Korea Stock Exchanges. Index returns assume reinvestment of all dividends and unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

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Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries).

Past results are not necessarily indicative of future performance of the Fund.

Portfolio Summary as of June 30, 2002

Asset Allocation	6/30/02	6/30/01
Common Stocks	84%	81%
Preferred Stocks	10%	6%
Cash Equivalents	3%	9%
Corporate Bonds	3%	3%
Convertible Bonds	-	1%
	100%	100%

Sector Diversification (Sector breakdown of the Fund's equity securities)	6/30/02	6/30/01
Financial	26%	23%
Technology	24%	20%
Communications	17%	18%
Consumer Discretionary	7%	8%
Manufacturing	7%	7%
Metals & Minerals	6%	4%
Consumer Staples	5%	7%
Durables	4%	5%
Utilities	1%	2%
Other	3%	6%
	100%	100%

Asset allocation and sector diversification are subject to change.

Ten Largest Equity Holdings at June 30, 2002 (66.1% of Portfolio)	
1. Samsung Electronics Co., Ltd. Manufacturer of major electronics	15.0%
2. Kookmin Bank Provider of commercial banking services	11.8%
3. SK Telecom Co., Ltd. Provider of mobile telecommunications services	9.7%
4. Samsung Fire & Marine Insurance Co., Ltd. Provider of insurance products	7.7%

5. POSCO Manufacturer of hot and cold rolled steel products	5.5%
6. LG Home Shopping, Inc. Operator of cable television shopping channel	3.9%
7. Samsung Electro-Mechanics Co., Ltd. Manufacturer of precision electronic parts	3.7%
8. KT Freetel Provider of personal communication services	3.1%
9. KT Corp. Provider of telecommunications services	2.9%
10. Hyundai Motor Co., Ltd. Manufacturer and seller of cars, trucks and commercial vehicles	2.8%

Portfolio holdings are subject to change.

For more complete details about the Fund's investment portfolio, see page 15. A quarterly Fund Summary and Portfolio Holdings are available upon request.

Investment Portfolio as of June 30, 2002

	Shares	Value (\$)
Common Stocks 84.2%		
Communications 15.8%		
Cellular Telephone 12.9%		
KT Freetel*	877,047	28,870,375
SK Telecom Co., Ltd.	337,990	75,717,627
SK Telecom Co., Ltd. (ADR)	608,135	15,075,667
		119,663,669
Telephone/Communications 2.9%		
KT Corp.	406,240	16,310,384
KT Corp. (ADR)	495,050	10,717,833
		27,028,217
Consumer Discretionary 6.2%		
Department & Chain Stores 1.5%		
Shinsegae Co., Ltd.	80,003	13,566,594
Hotels & Casinos 0.9%		
Hotel Shilla Co., Ltd.	308,391	1,612,452
Kangwon Land, Inc.	50,000	6,670,823
		8,283,275
Specialty Retail 3.8%		
LG Home Shopping, Inc. (b)	332,900	36,527,681

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Consumer Staples 4.5%		
Alcohol & Tobacco 1.9%		
Hite Brewery Co., Ltd.	50,000	3,083,957
Korea Tobacco and Ginseng Corp.	652,870	8,466,145
Korea Tobacco and Ginseng Corp. (GDR)	890,000	5,788,115
		17,338,217
Food & Beverage 2.3%		
Cheil Jedang Corp. (b)	99,606	4,069,522
Nam Yang Dairy Products Co., Ltd. (b)	43,390	11,920,528
Nhong Shim Co., Ltd.	93,601	5,874,377
		21,864,427
Textiles 0.3%		
BYC Co., Ltd. (b)	39,530	1,718,553
Tae Kwang Industry Co., Ltd.	6,720	745,736
		2,464,289
Durables 1.1%		
Tires		
Hankook Tire Co., Ltd.*	3,335,275	6,820,263
Nexen Tire Corp.	400,000	3,325,021
		10,145,284
Energy 0.8%		
Oil & Gas Production		
S-Oil Corp.	454,000	7,868,579
Financial 23.0%		
Banks 14.1%		
Kookmin Bank	994,184	48,262,964
Kookmin Bank (ADR)	1,257,217	61,792,216
Koram Bank Ltd.*	1,365,000	12,197,631
Koram Bank Ltd. (GDR)*	363,700	3,236,930
Shinhan Financial Group Co., Ltd. (GDR)	208,798	5,741,945
		131,231,686
Insurance 6.7%		
Oriental Fire & Marine Insurance Co.	211,660	2,243,279
Samsung Fire & Marine Insurance Co., Ltd.	979,625	60,259,559
		62,502,838
Other Financial Companies 2.2%		
Dongwon Securities Co., Ltd.	147,543	829,086
Good Morning Securities Co., Ltd.*	1,900,000	9,097,257
Hankang Restructuring Fund (e)	1,724,310	3,010,017
Kookmin Credit Card Co., Ltd.	100,000	3,503,741
Samsung Securities Co., Ltd.*	130,000	3,717,373

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		20,157,474
Health 0.2%		
Health Industry Services		
LG Household & Health Care Ltd.	51,511	1,547,899
Manufacturing 5.9%		
Chemicals 1.5%		
LG Chemical Investment Ltd.	94,362	1,023,628
LG Chemical Ltd.	212,486	7,683,409
Samsung Fine Chemicals Co., Ltd.	425,000	5,652,535
		14,359,572
Containers & Paper 0.0%		
Dae Young Packaging Co., Ltd.* (b)	206,191	197,107
Diversified Manufacturing 3.2%		
Anycell, Inc.* (b) (f) (g)	1,250,000	2,078,138
Daeyang E&C Ltd.	1,084,396	7,815,223
Halla Climate Control Co.	60,000	2,688,279
Hyundai Heavy Industries*	475,000	9,930,382
Hyundai Mobis*	350,480	7,399,993
Samsung Heavy Industries Co., Ltd.*	2,000	7,315
		29,919,330
Electrical Products 0.6%		
Hankuk Electric Glass Co., Ltd.	92,000	5,284,456
Machinery/Components/Controls 0.5%		
HS R&A Co., Ltd.	192,400	1,242,683
Samsung Climate Control Co., Ltd. (b)	827,630	3,267,866
		4,510,549
Specialty Chemicals 0.1%		
Korea Fine Chemical Co.	83,333	1,288,440
Media 0.5%		
Advertising 0.2%		
Cheil Communications, Inc.	17,000	1,780,549
Cable Television 0.3%		
Qrix Networks, Inc.* (f) (g)	120,000	2,493,766
Metals & Minerals 5.5%		
Steel & Metals		
Aldex Co., Ltd.	500,000	623,441
POSCO	443,430	49,208,566
POSCO (ADR)	72,608	1,980,020
		51,812,027
Service Industries 1.5%		
Miscellaneous Commercial Services 1.1%		

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S1 Corp.	564,270	10,975,825
Miscellaneous Consumer Services 0.4%		
Korea Information & Communications Co., Ltd.*	486,849	3,419,679
Technology 18.7%		
Diverse Electronic Products 0.7%		
Dae Duck Electronics Co., Ltd.	360,901	3,330,009
Partners, Inc.* (b) (f) (g)	105,579	1,396,509
SE Co., Ltd.* (b) (f) (g)	636,950	1,662,530
		6,389,048
Electronic Components/Distributors 18.0%		
Jahwa Electronics Co., Ltd.	712,460	5,809,836
Samsung Electro-Mechanics Co., Ltd. (b)	627,005	30,386,028
Samsung Electronics Co., Ltd.	414,259	113,292,777
Samsung SDI Co., Ltd.	245,306	19,004,588
		168,493,229
Utilities 0.5%		
Electric Utilities		
Korea Electric Power Corp.	260,000	4,754,780
Total Common Stocks (Cost \$395,070,046)		785,868,486
Preferred Stocks 9.7%		
Consumer Discretionary 0.7%		
Department & Chain Stores 0.7%		
Shinsegae Co., Ltd.	55,784	6,631,016
Hotels & Casinos 0.0%		
Hotel Shilla Co., Ltd.	32,070	138,357
Consumer Staples 0.7%		
Food & Beverage		
Cheil Jedang Corp. (b)	297,200	4,187,481
Cheil Jedang Corp. (2nd) (b)	50,335	1,092,056
Cheil Jedang Corp. (3rd) (b)	30,201	622,598
Nam Yang Dairy Products Co., Ltd. (b)	1,160	196,226
		6,098,361
Durables 2.7%		
Automobiles		
Hyundai Motor Co., Ltd. (GDR)	3,020,000	17,365,000
Hyundai Motor Co., Ltd. (2nd)	738,593	8,441,940
		25,806,940
Energy 0.0%		
Oil & Gas Production		
S-Oil Corp.	32,040	431,461
Financial 1.7%		

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Insurance 1.2%		
Samsung Fire & Marine Insurance Co., Ltd.	533,850	11,826,353
Other Financial Companies 0.5%		
Dongwon Securities Co., Ltd.	335,860	1,125,117
Dongwon Securities Co., Ltd. (2nd)	186,020	590,687
LG Investment and Securities Co., Ltd.	470,000	2,574,647
		4,290,451
Health 0.1%		
Health Industry Services		
LG Household & Health Care Ltd.	46,788	770,077
Manufacturing 0.3%		
Chemicals		
LG Chemical Ltd.	193,003	2,566,956
Technology 3.5%		
Electronic Components/Distributors		
Samsung Electro-Mechanics Co., Ltd. (b)	180,000	4,473,815
Samsung Electronics Co., Ltd.	198,201	26,855,165
Samsung SDI Co., Ltd.	34,318	1,387,839
		32,716,819
Total Preferred Stocks (Cost \$41,270,604)		91,276,791

	Principal Amount (\$)	Value (\$)
Corporate Bonds 2.5%		
Consumer Staples 0.0%		
Haitai Confectionary Loan Certificates, 11/28/2009 (f) (i)	107,345,702	65,574
Financial 1.4%		
Korea Exchange Bank, 13.75%, 6/30/2010 U.S.\$	10,000,000	12,050,000
Woori Financial Holdings Co., Ltd., 5.0%, 7/16/2003 (f)	1,381,510,000	1,130,996
		13,180,996
Utilities 1.1%		
Korea Electric Power Corp., 6.375%, 12/1/2003 U.S.\$	10,000,000	10,422,000
Total Corporate Bonds (Cost \$20,193,984)		23,668,570
Convertible Bonds 0.3%		
Durables 0.3%		
Tires		
Hankook Tire Co., Ltd., Zero Coupon with 5.83% bonus interest at maturity, 12/31/2002 (d) (f)	1,890,000,000	2,308,746
Technology 0.0%		
Diverse Electronic Products		
SE Co., Ltd., 4.0%, with 38.61% bonus interest at maturity, 12/31/2003 (d) (f) (g)	500,000,000	415,628
Total Convertible Bonds (Cost \$2,620,573)		2,724,374

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	Shares	Value (\$)
Warrants 0.1%		
Financial		
Other Financial Companies		
Woori Financial Holdings Co., Ltd.* (Cost \$0) (f)	276,302	630,891
Cash Equivalents 3.2%		
Scudder Cash Management QP Trust, 1.93% (c) (Cost \$30,320,126)	30,320,126	30,320,126
Total Investment Portfolio - 100.0% (Cost \$489,475,333) (a)		934,489,238

* Non-income producing security.

(a) The cost for federal income tax purposes was \$491,745,373. At June 30, 2002, net unrealized appreciation for all securities based on tax cost was \$442,743,865. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$467,007,948 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$24,264,083.

(b) Affiliated issuers (see Notes to Financial Statements).

(c) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(d) Bonus interest represents the amount available to be paid to the holder at maturity in lieu of conversion.

(e) Managed by Deutsche Investment Management Americas Inc.

(f) Securities valued at fair value by management and approved in good faith following procedures approved by the Directors, amounted to \$12,182,778 (1.2% of net assets at June 30, 2002 and 2.3% at June 30, 2001). Their values have been estimated by management in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material. The cost of these securities at June 30, 2002 aggregated \$11,581,704. The securities may also have certain restrictions as to resale.

(g) Included in (f) above are restricted securities with a value which aggregated \$8,046,571 (.80% of net assets) at June 30, 2002. No quoted market price exists for these private placement securities.

The issuers of these securities have given the Fund a put option, payable on demand. Information concerning such private placement securities at June 30, 2002 is as follows:

Security	Acquisition Date	Cost (\$)
Anycell, Inc.	12/22/2000	2,020,774
Partners, Inc.	7/29/2000	1,504,365
Qrix Networks, Inc.	7/28/2000	2,686,367
SE Co., Ltd. (convertible bond)	12/22/2000	404,154
SE Co., Ltd. (equity)	12/22/2000	1,616,637
		8,232,297

(h) Principal amount stated in Korean Won unless otherwise noted. U.S.\$ represents United States Dollars.

(i) Company in restructuring process, principal only subject to repayment.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2002

Assets

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Investments in securities, at value:	
Unaffiliated issuers (cost \$441,470,119)	\$ 830,692,600
Affiliated issuers (cost \$48,005,214)	103,796,638
Total investments in securities, at value (cost \$489,475,333)	934,489,238
Korean Won, at value (cost \$41,116,577)	43,641,706
Receivable for investments sold	25,592,609
Dividends receivable	6,269,668
Interest receivable	862,186
Total assets	1,010,855,407
Liabilities	
Payable for investments purchased	849,140
Accrued management fee	799,000
Other accrued expenses and payables	326,539
Total liabilities	1,974,679
Net assets, at value	\$ 1,008,880,728
Net Assets	
Net assets consist of:	
Undistributed net investment income	8,099,620
Net unrealized appreciation (depreciation) on:	
Investments	445,013,905
Won related transactions	2,842,733
Accumulated net realized gain (loss)	31,641,896
Cost of 75,000 shares held in treasury	(745,506)
Paid-in capital	522,028,080
Net assets, at value	\$ 1,008,880,728
Net Asset Value per share (\$1,008,880,728 / 49,939,049 shares of common stock issued and outstanding, \$.01 par value, 200,000,000 shares authorized)	\$ 20.20

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended June 30, 2002	
Investment Income	
Income:	
Dividends - Unaffiliated issuers (net of foreign taxes withheld of \$2,308,600)	\$ 10,801,105
Dividends - Affiliated issuers (net of foreign taxes withheld of \$270,590)	1,374,682
Interest - Unaffiliated issuers (net of foreign taxes withheld of \$39,629)	3,348,448
Total Income (net of foreign taxes withheld of \$2,618,819)	15,524,235
Expenses:	
Management fee	8,109,110
Services to shareholders	45,161
Custodian and accounting fees	1,142,255
Auditing	166,192

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Legal	173,500
Directors' fees and expenses	99,481
Reports to shareholders	30,941
Other	204,999
Total expenses, before expense reductions	9,971,639
Expense reductions	(53,600)
Total expenses, after expense reductions	9,918,039
Net investment income (loss)	5,606,196
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments - Unaffiliated issuers	25,643,606
Investments - Affiliated issuers	9,561,022
Won related transactions	2,542,733
	37,747,361
Net unrealized appreciation (depreciation) during the period on:	
Investments	318,735,886
Won related transactions	2,903,356
	321,639,242
Net gain (loss) on investment transactions	359,386,603
Net increase (decrease) in net assets resulting from operations	\$ 364,992,799

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets		
Increase (Decrease) in Net Assets	Years Ended June 30,	
	2002	2001
Operations:		
Net investment income (loss)	\$ 5,606,196	\$ 8,326,871
Net realized gain (loss) on investment transactions	37,747,361	83,042,424
Net unrealized appreciation (depreciation) on investment transactions during the period	321,639,242	(363,439,925)
Net increase (decrease) in net assets resulting from operations	364,992,799	(272,070,630)
Distributions to shareholders from:		
Net investment income	-	(9,250,133)
Net realized gains	(5,992,069)	(70,333,447)
Fund share transactions:		
Reinvestment of distributions	72,311	108,174
Cost of shares reacquired	(745,506)	-
Net increase (decrease) in net assets from Fund share transactions	(673,195)	108,174
Increase (decrease) in net assets	358,327,535	(351,546,036)
Net assets at beginning of period	650,553,193	1,002,099,229
Net assets at end of period (including undistributed net investment income of \$8,099,620 at June 30, 2002)	\$ 1,008,880,728	\$ 650,553,193
Other Information		
Shares outstanding at beginning of period	50,008,902	49,999,999

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Shares issued to shareholders in reinvestment of distributions	5,147	8,903
Shares reacquired	(75,000)	-
Net increase (decrease) in Fund shares	(69,853)	8,903
Shares outstanding at end of period	49,939,049	50,008,902

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended June 30,	2002	2001	2000	1999	1998
Per Share Operating Performance					
Net asset value, beginning of period	\$ 13.01	\$ 20.04	\$ 17.72	\$ 5.63	\$ 13.22
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^a	.11	.17	.05	.04	.07
Net realized and unrealized gain (loss) on investment transactions	7.20	(5.61)	2.27	12.05	(7.66)
Total from investment operations	7.31	(5.44)	2.32	12.09	(7.59)
<i>Less distributions from:</i>					
Net investment income	-	(.18)	-	-	-
Net realized gains on investment transactions	(.12)	(1.41)	-	-	-
Total distributions	(.12)	(1.59)	-	-	-
Antidilution (dilution) resulting from repurchases and reinvestment of distributions for shares at value	.00 ^b	-	-	-	-
Net asset value, end of period	\$ 20.20	\$ 13.01	\$ 20.04	\$ 17.72	\$ 5.63
Market value, end of period	\$ 16.44	\$ 10.58	\$ 14.06	\$ 14.88	\$ 6.31
Total Return					
Per share net asset value (%) ^c	56.39	(25.01)	13.09	214.74	(57.41)
Per share market value (%) ^c	56.71	(13.16)	(5.46)	135.64	(57.20)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	1,009	651	1,002	886	281
Ratio of expenses before expense reductions (%)	1.21	1.24	1.20	1.36	1.38
Ratio of expenses after expense reductions (%)	1.21	1.23	1.19	1.36	1.38
Ratio of net investment income (loss) (%)	.69	1.18	.24	.37	.90
Portfolio turnover rate (%)	18	40	31	10	24

^a Based on average shares outstanding during the period.

^b Amount is less than \$.005 per share.

^c Total return based on net asset value reflects changes in the Fund's net asset value during the period. Total return based on market value reflects changes in market value. Each figure includes reinvestments of dividends. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

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Notes to Financial Statements

A. Significant Accounting Policies

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

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Fund in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price reported on the exchange (U.S. or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation. Debt securities are valued by independent pricing services approved by the Directors of the Fund. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect fair value as determined in accordance with procedures approved by the Directors.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

At June 30, 2002, the exchange rate for Korean Won was U.S. \$.00083 to W 1.

Repurchase Agreements. The Fund may enter into repurchase agreements with certain banks and broker/dealers whereby the Fund, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the

value is equal to at least the principal amount of the repurchase price plus accrued interest.

Taxes. The Fund's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the Fund paid no federal income taxes and no federal income tax provision was required.

Under the United States-Korea Income Tax Treaty (the "Treaty"), as presently in effect, the government of Korea imposes a nonrecoverable withholding tax and resident tax aggregating 16.5% on dividends and 13.2% on interest earned by the Fund from Korean issuers. Under the Treaty, there is no Korean withholding tax on realized capital gains.

Distribution of Income and Gains. Distributions of net investment income, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to certain securities sold at a loss. As a result, net investment income (loss), net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

At June 30, 2002, the Fund's components of distributable earnings on a tax basis are as follows:

Undistributed ordinary income*	\$ 8,205,187
Undistributed net long-term capital gains	\$ 33,806,369
Capital loss carryforwards	\$ -
Unrealized appreciation (depreciation) on investments	\$ 442,743,865

In addition, during the year ended June 30, 2002 the tax character of distributions paid to shareholders by the Fund is summarized as follows:

Distributions from long-term capital gains	\$ 5,992,069
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* For tax purposes short-term capital gains distributions are considered ordinary income distributions.

Subscriptions for New Shares. As part of their annual corporate action matters, certain Korean companies offer rights to their shareholders to subscribe to new shares which are eligible for a portion of the dividends paid on existing shares in the year of subscription. The Fund follows a policy of subscribing to new share offerings by Korean companies.

Dividend Income. Korean-based corporations have generally adopted calendar year-ends, and their corporate actions are normally approved by their boards of directors and shareholders in the first quarter of each calendar year. Accordingly, dividend income from Korean equity investments is earned and received by the Fund primarily in the first calendar quarter of each year. As a result, the Fund, which has a June 30 year-end, receives substantially less dividend income in the first half of its year than in the second half of such year.

Other. Investment transactions are accounted for on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends and

taxes. Realized gains and losses from investment transactions are recorded on an identified cost basis.

B. Purchases and Sales of Securities

During the year ended June 30, 2002, purchases and sales of investment securities (excluding short-term investments) aggregated \$136,376,639 and \$172,017,358, respectively.

C. Related Parties

On April 5, 2002, 100% of Zurich Scudder Investments, Inc. ("ZSI") was acquired by Deutsche Bank AG with the exception of Threadneedle Investments in the U.K. Upon the closing of this transaction, ZSI became part of Deutsche Asset Management and changed its name to Deutsche Investment Management Americas Inc. ("DeIM" or the "Manager"). Effective April 5, 2002, the investment management agreements with ZSI were terminated and DeIM became the investment advisor for the Fund. The Investment Management Agreement (the "Management Agreement") is the same in all material respects as the corresponding previous Management Agreement.

Management Agreement. Under the Management Agreement, the Manager directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. The Manager determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Manager provides certain administrative services in accordance with the Management Agreement. The management fee payable monthly under the Agreement is equal to an annual rate of 1.15% of the first \$50,000,000 of the Fund's month-end net assets, 1.10% of the next \$50,000,000 of such net assets, 1% of the next \$250,000,000 of such net assets, 0.95% of the next \$400,000,000 of such net assets, 0.90% of the next \$300,000,000 of such net assets, and 0.85% of such net assets in excess of \$1,050,000,000 of the Fund's month-end net assets. The value of Hankang Restructuring Fund, which is managed by the Manager, has been excluded from the net assets used to calculate the management fee. For the year ended June 30, 2002, the Manager did not impose a portion of its fee amounting to \$53,600, and the portion imposed amounted to \$8,055,510 which was equivalent to an annual effective rate of 0.98% of the Fund's average month-end net assets.

Service Provider Fees. Scudder Investments Service Company ("SISC"), an affiliate of the Manager, is the transfer, dividend-paying and shareholder service agent for the Fund. For the year ended June 30, 2002, the amount charged to the Fund by SISC aggregated \$16,000, of which \$1,350 is unpaid at June 30, 2002.

Scudder Service Corporation ("SSC"), a subsidiary of the Manager, is the shareholder communications agent of the Fund. For the year ended June 30, 2002, the amount charged to the Fund by SSC aggregated \$15,000, of which \$1,250 is unpaid at June 30, 2002.

Scudder Fund Accounting Corporation ("SFAC"), also a subsidiary of the Manager, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. For the year ended June 30, 2002, the amount charged to the Fund by SFAC aggregated \$376,631, of which \$38,929 is unpaid at June 30, 2002.

Directors' Fees and Expenses. The Fund pays each Director not affiliated with the Manager retainer fees plus specified amounts for attended board and committee meetings.

Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Fund may invest in the Scudder Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Manager. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Manager a management fee for the affiliated funds' investments in the QP Trust. Distributions from the QP Trust to the Fund for the year ended June 30, 2002 totaled \$20,083 and are reflected as interest income on the Statement of Operations.