

Edgar Filing: KOREA FUND INC - Form N-Q

KOREA FUND INC
Form N-Q
November 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-4058

Korea Fund, Inc.

(Exact name of registrant as specified in charter)

345 Park Avenue
New York, NY 10154

(Address of principal executive offices) (Zip code)

Salvatore Schiavone
Two International Place
Boston, Massachusetts 02110

(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 295-2663

Date of fiscal year end: 06/30

Date of reporting period: 9/30/04

Form N-Q is to be used by registered management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-4). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS

The Korea Fund, Inc.
Investment Portfolio as of September 30, 2004 (Unaudited)

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| | Shares |
|--|--------|
| Common Stocks 84.6% | |
| Consumer Discretionary 15.1% | |
| Auto Components 4.6% | |
| Halla Climate Control Corp. | 60 |
| Hankook Tire Co., Ltd. | 4,46 |
| Automobiles 4.3% | |
| Hanil E-Wha Co., Ltd. | 70 |
| Hyundai Motor Co. (GDR) (Preferred) 144A | 3,02 |
| Nexen Tire Corp. | 40 |
| Hotels Restaurants & Leisure 2.0% | |
| Hotel Shilla Co., Ltd. | 85 |
| Kangwon Land, Inc. | 1,47 |
| Internet & Catalog Retail 0.2% | |
| LG Home Shopping, Inc. | 5 |
| Media 0.7% | |
| Cheil Communications, Inc. | 5 |
| Multiline Retail 3.1% | |
| Shinsegae Co., Ltd. | 8 |
| Taegu Department Store Co., Ltd. (b) | 1,28 |
| Textiles, Apparel & Luxury Goods 0.2% | |
| BYC Co., Ltd. (b) | 3 |
| Consumer Staples 5.1% | |
| Beverages 1.6% | |
| Hite Brewery Co., Ltd. | 5 |
| Nam Yang Dairy Products Co., Ltd. (b) | 4 |
| Food Products 1.4% | |
| CJ Corp. | 9 |
| Nhong Shim Co., Ltd. | 3 |
| Household Products 0.1% | |
| LG Household & Health Care Ltd. | 5 |
| Tobacco 2.0% | |
| KT&G Corp. (GDR) 144A | 41 |
| KT&G Corp. | 55 |

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| | |
|---|------|
| Energy 8.1% | |
| Oil & Gas | |
| S-Oil Corp. | 82 |
| SK Corp. | 82 |
| Financials 12.0% | |
| Banks 4.2% | |
| Jeonbuk Bank (b) | 2,70 |
| Kookmin Bank (ADR)* | 10 |
| Kookmin Bank* | 90 |
| Diversified Financial Services 0.7% | |
| Dongwon Financial Holding Co., Ltd. | |
| Nong Shim Holdings Co., Ltd. | 2 |
| Samsung Securities Co., Ltd. | 16 |
| Telephus Co., Ltd.* (b) (c) (d) | 2,26 |
| Insurance 7.1% | |
| Korean Reinsurance Co. | 1,64 |
| Oriental Fire & Marine Insurance Co. (b) | 58 |
| Samsung Fire & Marine Insurance Co., Ltd. | 97 |
| Health Care 0.5% | |
| Biotechnology 0.1% | |
| LG Life Sciences Ltd. * | 1 |
| Pharmaceuticals 0.4% | |
| Choongwae Pharma Corp. | 8 |
| Yuhan Corp. | 4 |
| Industrials 6.4% | |
| Commercial Services & Supplies 2.1% | |
| Insun ENT Co., Ltd. | 19 |
| S1 Corp. | 56 |
| Construction & Engineering 0.2% | |
| Ssangyong Engineering & Construction Co., Ltd.* | 23 |
| Industrial Conglomerates 2.5% | |
| Anycell, Inc. (b) (c) (d) (h) | 1,25 |
| Daeyang E&C Ltd.* | 1,15 |
| Hyundai Mobis | 35 |
| SFA Engineering Corp. | 27 |
| Machinery 0.4% | |

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| | |
|--|------|
| HS R&A Co., Ltd. | 14 |
| Samsung Climate Control Co., Ltd. (b) | 82 |
| | |
| Trading Companies & Distributors 0.8% | |
| Jahwa Electronics Co., Ltd. | 77 |
| | |
| Transportation Infrastructure 0.4% | |
| Korea Express Co., Ltd.* | 30 |
| | |
| Information Technology 22.0% | |
| Computers & Peripherals 0.1% | |
| Ahnlab, Inc.* | 8 |
| | |
| Electronic Equipment & Instruments 5.2% | |
| Dae Duck Electronics Co., Ltd. | 36 |
| Hankuk Electric Glass Co., Ltd. | 14 |
| Interflex Co., Ltd. | 17 |
| Mtekvision Co., Ltd.* | 8 |
| Samsung Electro-Mechanics Co., Ltd.* | 54 |
| Samsung SDI Co., Ltd. | 20 |
| SE Co., Ltd.(b)(c)(d) | 63 |
| | |
| Internet Software & Services 1.6% | |
| Daum Communications Corp.* | 37 |
| NCsoft Corp.* | 7 |
| | |
| Semiconductors & Semiconductor Equipment 15.1% | |
| NEPES Corp.* | 35 |
| Samsung Electronics Co., Ltd. (i) | 34 |
| Seoul Semiconductor Co., Ltd. (b) | 1,00 |
| | |
| Materials 10.3% | |
| Chemicals 1.4% | |
| Korea Fine Chemical Co. | 2 |
| LG Chemical Ltd. | 21 |
| Samsung Fine Chemicals Co., Ltd. | 42 |
| | |
| Containers & Packaging 0.2% | |
| Youlchon Chemical Co., Ltd. | 35 |
| | |
| Metals & Mining 8.7% | |
| Dongkuk Steel Mill Co., Ltd. | 1,17 |
| Korea Iron & Steel Co., Ltd. | 22 |
| POSCO | 44 |
| Samwoo EMC Co., Ltd. (b) | 75 |
| SeAH Steel Corp. | 7 |
| | |
| Telecommunication Services 5.1% | |
| Wireless Telecommunication Services | |
| SK Telecom Co., Ltd. | 32 |

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Total Common Stocks (Cost \$361,147,478)

| | Principa Amount (f ----- |
|--|--------------------------------|
| Convertible Bond 0.4% | |
| Consumer Staples 0.0% | |
| Haitai Confectionery Loan Certificates, Zero Coupon, 11/28/2009 (c) (e) (f) | 15,82 |
| Financials 0.4% | |
| LG Card Co., Ltd., 3.0%, 2/12/2009 | 6,000,00 |

Total Convertible Bond (Cost \$2,586,386)

| | Shares ----- |
|---|-----------------|
| Preferred Stocks 12.5% | |
| Consumer Discretionary 3.4% | |
| Automobiles 2.0% | |
| Hyundai Motor Co. (2nd) | 73 |
| Hotels Restaurants & Leisure 0.0% | |
| Hotel Shilla Co., Ltd. | 3 |
| Multiline Retail 1.4% | |
| Shinsegae Co., Ltd. | 5 |
| Consumer Staples 1.2% | |
| Beverages 0.0% | |
| Nam Yang Dairy Products Co., Ltd. | |
| Food Products 1.1% | |
| CJ Corp. | 29 |
| CJ Corp. (2nd) | 5 |
| CJ Corp. (3rd) | 3 |
| Household Products 0.1% | |
| LG Household & Health Care Ltd. | 4 |
| Energy 0.4% | |
| Oil & Gas | |
| S-Oil Corp. | 15 |
| Financials 1.4% | |
| Insurance | |
| Samsung Fire & Marine Insurance Co., Ltd. | 53 |
| Information Technology 5.6% | |
| Electronic Equipment & Instruments 0.3% | |
| Samsung Electro-Mechanics Co., Ltd.* | 9 |
| Samsung SDI Co., Ltd. | 3 |

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Semiconductors & Semiconductor Equipment 5.3%
 Samsung Electronics Co., Ltd. (i) 19

Materials 0.5%
 Chemicals
 LG Chemical Ltd. 19

Total Preferred Stocks (Cost \$28,521,604)

Investment Fund 0.1%
 Financials
 Hankang Restructuring Fund (c) (g)
 (Cost \$2,065,316) 1,72

Cash Equivalents 0.4%
 Scudder Cash Management QP Trust 1.70% (a)
 (Cost \$3,980,474) 3,98

% of
 Net Asset

Total Investment Portfolio (Cost \$398,301,258)
 Other Assets and Liabilities, Net

Net Assets

For information on the Fund's policies regarding the valuation of investments and other significant accounting policies, please refer to the Fund's most recent semi-annual or annual financial statements.

* Non-income producing security.

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

(b) Transactions in Securities of Affiliated Issuers. An affiliated issuer includes any company in which the Fund has ownership of at least 5% of the outstanding voting securities. A summary of the Fund's transactions during the three months ended September 30, 2004 with companies which are or were affiliates is as follows:

| Affiliate | Shares | Purchases Cost (\$) | Sale Cost (\$) | Realized Gain/Loss |
|--------------------------------------|-----------|------------------------|-------------------|-----------------------|
| Ancell, Inc. | 1,250,000 | - | - | - |
| BYC Co., Ltd. | 39,530 | - | - | - |
| Jeonbuk Bank | 2,706,500 | - | - | - |
| Nam Yang Dairy Products Co., Ltd. | 44,550 | - | - | - |
| Oriental Fire & Marine Insurance Co. | 584,860 | - | - | - |

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| | | | | |
|-----------------------------------|-----------|------------|---|---|
| Samsung Climate Control Co., Ltd. | 827,630 | - | - | - |
| Samwoo EMC Co., Ltd. | 754,800 | 2,092,375 | - | - |
| SE Co., Ltd. | 636,950 | - | - | - |
| Seoul Semiconductor Co., Ltd. | 1,003,900 | 4,775,077 | - | - |
| Taegu Department Store Co., Ltd. | 1,286,110 | 3,965,096 | - | - |
| Telephus Co., Ltd. | 2,266,667 | - | - | - |
| | | 10,832,548 | | |

* Net of foreign taxes withheld.

(c) Securities valued at fair value by management and approved in good faith following procedures approved by the Directors, amounted to \$6,042,215 (0.6% of net assets at September 30, 2004). 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 September 30, 2004 aggregated \$8,622,435. The securities may also have certain restrictions as to resale.

(d) The Fund may purchase securities that are subject to legal or contractual restrictions on resale ("restricted securities"). Restricted securities are securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933. The Fund may be unable to sell a restricted security and it may be more difficult to determine a market value for a restricted security. Moreover, if adverse market conditions were to develop during the period between the Fund's decision to sell a restricted security and the point at which the Fund is permitted or able to sell such security, the Fund might obtain a price less favorable than the price that prevailed when it decided to sell. This investment practice, therefore, could have the effect of increasing the level of illiquidity of the Fund.

The issuers of Anycell, Inc. and SE Co., Ltd. have given the Fund a put option, payable on demand. Information concerning such private placement securities at September 30, 2004 is as follows:

| Securities | Acquisition Date | Acquisition Cost (\$) | Value |
|-----------------------------|------------------|-----------------------|-------|
| Anycell, Inc. | 12/22/2000 | 2,020,774 | |
| SE Co., Ltd. | 12/22/2000 | 1,616,637 | 1,73 |
| Telephus Co., Ltd. | 6/10/2004 | 2,919,708 | 2,95 |
| Total Restricted Securities | | 6,557,119 | 4,68 |

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- (e) Company in restructuring process, principal only subject to repayment.
- (f) Principal amount stated in Korean Won.
- (g) The Fund owns 1.36% of outstanding shares of Hankang Restructuring Fund, which is managed by Deutsche Investment Management Americas, Inc.
- (h) Company is in process of liquidation.
- (i) At September 30, 2004, 19.4% of the Fund's investment portfolio is invested in Samsung Electronics Co., Ltd.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: The Korea Fund

By: /s/Julian Sluyters

Julian Sluyters
Chief Executive Officer

Date: November 19, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Registrant: The Korea Fund

By: /s/Julian Sluyters

Julian Sluyters
Chief Executive Officer

Date: November 19, 2004

By: /s/Paul Schubert
Paul Schubert
Chief Financial Officer

Date: November 19, 2004

