

Applicable only for U.S. Income Tax purposes. The information is provided for general information only. Holders are advised to consult with independent tax advisors with respect to their particular circumstances.

**NOTICE OF US TAX BASIS REPORTING FOR  
CHINA STEEL CORPORATION**

DATE of NOTICE: September 19, 2011

China Steel Corporation hereby provides the following information to its United States of America (“U.S.”) shareholders (including holders of its Depositary Shares) pursuant to Section 6045B of the U.S. Internal Revenue Code of 1986, as amended (the “Code”):

COMPANY:	China Steel Corporation, a company incorporated under the laws of Taiwan, Republic of China (the “ <u>Company</u> ”).
COMPANY CONTACT PERSON:	Ms. Daphne Li E-mail: 147918@mail.csc.com.tw Telephone: +886.7.802.1111 ext:3950
APPLICABLE SECURITIES:	Common Shares of the Company (the “ <u>Shares</u> ”).  Global Depositary Shares (“Depositary Shares”), each Depositary Share representing 20 Shares of the Company.
DEPOSITARY SHARE CUSIP NO:	Rule 144A Depositary Shares CUSIP No.: 169417102  Regulation S Depositary Shares CUSIP No.: Y15041125
SHARE ISIN NO:	TW0002002003
TYPE OR NATURE OF ORGANIZATIONAL ACTION:	On June 30, 2011 the Company announced a stock distribution whereby holders of Shares would receive 50 new Shares for every 1000 existing Shares held as of the applicable record date and holders of Depositary Shares would receive 1 new Depositary Shares for every 20 existing Depositary Shares held as

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	<p>of the applicable record date.</p> <p>The record date for holders of Shares was July 19, 2011</p> <p>The record date for holders of Depositary Shares was July 18, 2011.</p>
EFFECTIVE DATE OF ORGANIZATIONAL ACTION:	<p>The effective date for holders of Shares was September 9, 2011.</p> <p>The effective date for holders of Depositary Shares was September 16, 2011.</p>
QUANTITATIVE EFFECT OF ORGANIZATIONAL ACTION:	<p>As required by Code Section 307(a), and the U.S. Treasury regulations thereunder, the U.S. tax basis of the Shares previously held by each U.S. holder of Shares (or Depositary Shares) should be allocated between the holder's existing Shares (or Depositary Shares) and the new Shares (or Depositary Shares) received in the distribution based on their respective fair market values.</p> <p>The Company has determined that the fair market value of each Depositary Share as \$20.49 on the Depositary Share distribution payment date.</p> <p>Each holder of Shares (or holder of Depositary Shares) should allocate 95.2381% of its basis in each existing Share (or Depositary Share) to each Share (or Depositary Share) received in the distribution.</p>
CODE SECTION AND SUBSECTION UPON WHICH TAX TREATMENT IS BASED:	Code Section 307(a).
REPORTABLE TAXABLE YEAR:	2011
RECOGNITION OF RESULTING	For U.S. federal income tax purposes, the

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LOSS FOR U.S. TAX PURPOSES:	Organizational Action will not result in any tax loss for any holders of Shares or Depositary Shares.
<b>IRS Circular 230 disclosure: Any tax advice contained in this communication (including any attachments or enclosures) was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this communication. (The foregoing disclaimer has been affixed pursuant to U.S. Treasury regulations governing tax practitioners.)</b>	