

FORMOSAN RUBBER GROUP INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars)

| DESCRIPTION | 2008 | 2007 |
|---|--------------|------------|
| Cash flows from operating activities | | |
| Net income | \$ 916,097 | \$ 250,414 |
| Adjustments | | |
| Depreciation | 81,059 | 82,833 |
| Amortization | 11,890 | 7,957 |
| Amortization of discount of financial liabilities | - | 38 |
| Investment loss (income) on equity method | 29,120 | 85,280 |
| Cash dividends received from equity method investees | 4,788 | 14,280 |
| Valuation loss (gain) on financial assets | (27,308) | 141,823 |
| Loss on disposal of fixed assets | 1,162 | 438 |
| Recognition on Unrealized revaluation increment by disposal of land | (71,562) | (36,170) |
| Loss (gain) on sale of investments | (35,034) | (69,107) |
| Other investment losses | 94 | 161 |
| Impairment loss | 62,000 | - |
| Changes in operating assets and liabilities: | | |
| Financial assets at fair value through profit or loss | 20,397 | 149,114 |
| Notes receivable | 15,820 | 19,235 |
| Accounts receivable | (43,859) | 35,436 |
| Other receivables | 7,643 | 11,908 |
| Inventories | 24,981 | 7,598 |
| Construction in progress | (1,802,569) | (870,769) |
| Prepaid expenses | 22,604 | 2,735 |
| Deferred Marketing Expenses | 56,953 | (295,310) |
| Other current assets | (40,148) | (17,096) |
| Deferred pension cost | 2,038 | 50,047 |
| Net loss not recognized as pension cost | (474) | 34,334 |
| Notes payable | 28,202 | (10,336) |
| Accounts payable | 40,486 | 13,512 |
| Other payables | 20,346 | (15,509) |
| Advance in real estate receipts | 472,316 | 1,300,080 |
| Other current liabilities | 3,606 | 5,614 |
| Accrued face-value-to-redemption-price | - | 464 |
| Accrued pension cost | (82,898) | (5,219) |
| Net cash provided by (used in) operating activities | \$ (282,250) | \$ 893,785 |

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|--|------------|------------|
| Cash flows from investing activities | | |
| Proceeds from disposal of fixed assets | \$ 1,509 | \$ 243 |
| Decrease (increase) in refundable deposits | (391) | - |
| Increase in deferred charges | (10,831) | (9,926) |
| Acquisition of fixed assets | (18,387) | (19,597) |
| Proceeds from disposal of investments accounted for by the equity method | 120,000 | 32,548 |
| Proceeds from disposal of financial assets carried at cost | 6,294 | 10,036 |
| Decrease in restricted assets | 504 | - |
| Net cash provided by investing activities | 98,698 | 13,304 |
| Cash flows from financing activities | | |
| Decrease in short-term bills payable | - | (108,000) |
| Decrease in short-term loans | - | (112,000) |
| Increase in long-term loans | 220,000 | - |
| Repayment of bonds payable | (100,000) | (100,000) |
| Increase in other liabilities | (323) | 1,347 |
| Cash dividends | (183,154) | (183,429) |
| Cash bonus to employees, directors and supervisors | (4,000) | (3,828) |
| Cash paid for acquisition of treasury stock | (252,130) | (11,770) |
| Net cash used in financing activities | (319,607) | (517,680) |
| Net increase (decrease) in cash and cash equivalents | (503,159) | 389,409 |
| Cash and cash equivalents, beginning of year | 639,509 | 250,100 |
| Cash and cash equivalents, end of year | \$ 136,350 | \$ 639,509 |
| Supplemental cash flow information | | |
| Interest paid (excluding capitalized interest) | \$ 2,914 | \$ 4,666 |
| Income tax paid | 210 | 12,201 |
| Non-cash investing and financing activities | | |
| Current portion of long-term liabilities | \$ - | \$ 100,000 |
| Conversion of convertible bonds | - | \$ 158,863 |