

**FORMOSAN RUBBER GROUP INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(Expressed in Thousands of New Taiwan Dollars)

DESCRIPTION	2007	2006
Cash flows from operating activities		
Net income	\$ 250,414	\$ 212,667
Adjustments		
Depreciation	82,833	82,327
Amortization	7,957	9,279
Amortization of discount of financial liabilities	38	113
Investment loss (income) on equity method	85,280	(40,542)
Cash dividends received from equity method investees	14,280	10,880
Valuation loss (gain) on financial assets	141,823	(115,862)
Loss on disposal of fixed assets	438	353
Recognition on Unrealized revaluation increment by disposal of land	(36,170)	—
Loss (gain) on sale of investments	(69,107)	—
Other investment losses	161	316
Impairment loss	—	13,575
Cumulative effect of change in accounting principles	—	(24,328)
Changes in operating assets and liabilities:		
Financial assets held for trading	149,114	(13,513)
Notes receivable	19,235	(8,614)
Accounts receivable	35,436	(18,768)
Other receivables	11,908	3,580
Inventories	7,598	(3,412)
Construction in progress	(870,769)	(320,904)
Prepaid expenses	2,735	15,258
Deferred Marketing Expenses	(295,310)	—
Other current assets	(17,096)	7,801
Deferred pension cost	50,047	14,040
Net loss not recognized as pension cost	34,334	(6,640)
Notes payable	(10,336)	(49,037)
Accounts payable	13,512	26,019
Other payables	(15,509)	24,007
Advance in real estate receipts	1,300,080	—
Other current liabilities	5,614	(1,865)
Accrued face-value-to-redemption-price	464	11,252
Accrued pension cost	(5,219)	11,318
Net cash provided by operating activities	\$ 893,785	\$ (160,700)

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DESCRIPTION	2007	2006
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	\$ 243	\$ 70
Decrease (increase) in refundable deposits	—	(518)
Increase in deferred charges	(9,926)	(11,348)
Acquisition of fixed assets	(19,597)	(31,742)
Decrease in prepayment for equipment	—	37,667
Proceeds from disposal of investments accounted for by the equity method	32,548	17,150
Proceeds from disposal of financial assets carried at cost	10,036	15,375
Decrease in restricted assets	—	367
Net cash provided by investing activities	13,304	27,021
<b>Cash flows from financing activities</b>		
Decrease in short-term bills payable	(108,000)	(17,000)
Decrease in short-term loans	(112,000)	(1,000)
Repayment of bonds payable	(100,000)	(100,001)
Increase in other liabilities	1,347	31,580
Cash dividends	(183,429)	—
Cash bonus to employees, directors and supervisors	(3,828)	—
Cash paid for acquisition of treasury stock	(11,770)	(50,128)
Net cash used in financing activities	(517,680)	(136,549)
<b>Net increase (decrease) in cash and cash equivalents</b>	389,409	(270,228)
<b>Cash and cash equivalents, beginning of year</b>	250,100	520,328
<b>Cash and cash equivalents, end of year</b>	\$ 639,509	\$ 250,100
<b>Supplemental cash flow information</b>		
Interest paid (excluding capitalized interest)	\$ 4,666	\$ 25,256
Income tax paid	12,201	13,649
<b>Non-cash investing and financing activities</b>		
Current portion of long-term liabilities	\$ 100,000	\$ 258,399
Conversion of convertible bonds	\$ 158,863	\$ 863,602