Chapter X Statement of Reconciliation of Equity from Old to New PRC Accounting Standards and Review Opinions

Review Report on Statement of Reconciliation of Equity from Old to New PRC Accounting Standards

PwC ZT Yuezi (2007) No. 059

To the shareholders of Jingwei Textile Machinery Company Limited

We have reviewed the accompanying Statement of Reconciliation of Jingwei Textile Machinery Company Limited (the "Company") and its subsidiaries (the "Group") for equity differences between new and old PRC Accounting Standards (the "Reconciliation Statement") .The management of the Company is responsible for preparing the Reconciliation Statement in accordance with the basis set out in Note 2 to the Reconciliation Statement. Our responsibility is to issue a review report on the Reconciliation Statement based on our review.

In accordance with the Notice on Preparation for Disclosure of Financial Information regarding the Adoption of New Accounting Standards (Zhengjianfa [2006] No.136) issued by the China Securities Regulatory Commission, we conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101-Review of Financial Statements. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the Reconciliation Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel on the accounting policies and all significant assertions related to the preparation of the Reconciliation Statement, understanding of the calculation of the reconciliation figures in the Reconciliation Statement, reviewing the Reconciliation Statement to assess whether the specified basis of preparation have been applied and when necessary, performing analytical procedures on the data if necessary. A review provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Reconciliation Statement is not prepared, in all material respects, in accordance with the basis specified in Note 2 to the Reconciliation Statement.

Without affecting our review opinion, we would like to draw the attention of the users of the Reconciliation Statement that due to the reasons specified in the Important Notice attached to the Reconciliation Statement, the consolidated shareholders' equity as of 1 January 2007 under the new accounting standards in the Reconciliation Statement may differ from the actual result of the Company's financial statements as of 1 January 2007.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Certified Public Accountant
Zhang Guojun

Shanghai, the People's Republic of China
18 April, 2007

Certified Public Accountant
Liu Lei

Important Notice:

From January 1, 2007, the Company adopted the “Accounting Standards for Business Enterprises” issued by the Ministry of Finance in 2006 (“PRC New Accounting Standards”). The Group is assessing the impact on its financial position, results of operation and cash flows in adopting the PRC New Accounting Standards. When the Group prepares its 2007 financial statements, it may, after careful consideration and referring to the further interpretation of the PRC New Accounting Standards by the Ministry of Finance, change the accounting policies and significant assertions used in preparing this statement of reconciliation for equity differences between new and old PRC Accounting Standards (“Reconciliation Statement”) which may result in discrepancies between shareholders’ equity (New Accounting Standards) as at January 1, 2007 in the Reconciliation Statement and the corresponding figure in the 2007 financial statements.

Reconciliation Statement

Item	Notes	Details	Amount RMB
1	3(1)	**Equity as at 31 December 2006 (Old Accounting Standards)**	2,819,661,936
2	3(2)	Long-term equity investment differences	(5,803,545)
		Including:	
		Long-term equity investment difference from the combination of enterprises under common control	(5,803,545)
		Other credit differences in equity investment with equity methods	–
3	3(3)	Financial assets at fair value through profit or loss and available-for-sale financial assets	–
4	3(4)	Income Tax	32,682,011
5		Adjustments on the above Item 2 to 4 attributable to minority interests	–
6	3(5)	Minority interests under the Old Accounting Standards as at 31 December 2006 classified into shareholders' equity under the New Accounting Standards	183,317,433
		Equity as at 1 January 2007 (New Accounting Standards)	3,029,857,835

The accompanying notes form an integral part of this reconciliation statement.

Legal representative:	**Person in charge of accounting function:**	**Person in charge of accounting department**
Ye Maoxin	**Yao Yuming**	**Mao Faqing**

Notes to the Reconciliation Statement

1. Purpose of preparation

The Company adopted the New Accounting Standards on January 1, 2007. In order to analyze and disclose the impact of adopting the New Accounting Standards on the financial positions of listed companies, in November 2006, China Securities Regulatory Commission issued Notice on Preparation of Disclosure of Financial Information regarding the Adoption of New Accounting Standards (Zhengjianfa [2006] No. 136, "Notice") which requires companies to disclose a reconciliation of significant differences in the supplementary information of the 2006 financial statements using a reconciliation statement.

2. Basis of preparation

The Reconciliation Statement is prepared pursuant to the articles No.5-No.19 of Accounting Standards for Business Enterprises No. 38 - First-time Adoption of Accounting Standards for Business Enterprises, also retrospectively adjust for differences in accordance with the materiality principle, after taking into account the Company's/Group's own circumstances and 2006 consolidated financial statements.

In addition, adjustment sums involved in item 2 to 4 of the Reconciliation Statement do not include these parts attributable to minority interests, which are reflected as separate items in the Reconciliation Statement. The balance of minority interests under the Old Accounting Standards as at 31st December 2006 are classified into Shareholders' Equity as of 1st January 2007 under the New Accounting Standards, which are reflected as separate items in the Reconciliation Statement.

3. Notes to Major Items:

(1) The amount of the consolidated shareholders' equity as at December 31, 2006 (Current Accounting Standards) are obtained from the Group's financial statements (including Consolidated Balance Sheet and the Balance Sheet of the parent company, Consolidated Income statement and Income Statement of the parent company, Profit Appropriation Statement of the Company and the parent company, as well as the Consolidated Cash Flow Statement of the company and cash flow statement of the parent company), prepared in accordance with PRC Accounting Standards for Business Enterprises and Accounting System for Business Enterprise, as at December 31, 2006, which were audited by PricewaterhouseCoopers Zhong Tian CPA Company Limited, which issued an unqualified audit report with report reference number PricewaterhouseCoopers Zhongtian Shenzi (2007)10044. Please refer to 2006 financial statements for the basis of preparation and summary of significant accounting policies for those financial statements.

(2) Difference in long-term equity investment

In 1999, the Company acquired the equity interests by asset exchange of Shenyang Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited and Zhengzhou Hongda New Type Machinery Company Limited. The difference between the consideration paid and the fair value of the net assets acquired amounted to RMB6,123,559. In 2003, the Company acquired Jingwei Heli Machinery Manufacturing Co., Ltd. resulting in a goodwill of RMB 3,918,020. In 2006, the Company acquired Wuxi Jingwei Textiles Technology and Testing Co., Ltd., resulting in a goodwill of RMB 685,414. In 2006, the Company acquired Xianyang Wei'er Machinery Manufacturing Company Limited and Wuxi Hongda Textile Machinery and Special Parts Company Limited, resulting in a goodwill of RMB 4,411,306 and RMB 375,995, respectively. The above transfer of equity interests were all from the controlling shareholder of the Company, China Textile Machinery (Group) Company Limited. All are long term equity investments from the combination of enterprises under common control.

As of 31st December 2006, the aggregate carrying value of the goodwill and negative goodwill arising from the combination of enterprises under common control was RMB 5,803,545, which should be offset against retained earnings under the New Accounting Standards. Therefore the equity as of 1st January 2007 was reduced by RMB 5,803,545.

(3) Financial Assets at Fair Value with changes carried through Profit or Loss

In accordance with the new accounting standards, shares held by the Company for recent disposal shall be accounted at fair value with changes carried through profit or loss accounts, while under the Old Accounting Standards, these investments were carried at cost less impairment. As at 31st December 2006, such financial assets amounted to RMB8,885,556 being investment shares to be listed in the PRC. In the opinion of the directors, such investments approximate their fair value, and therefore no adjustment to retained earnings was recorded.

(4) Income Tax

Pursuant to the regulations in the New Accounting Standards, the calculation of enterprise income tax shall be changed from tax-payable method to the liability method. The deferred tax asset was calculated at RMB 32,682,011 based on the difference between the assets' carrying value and the tax base (temporary differences), which increased the retained earnings and shareholders' equity as of 1st January 2007.

(5) Minority interests

In accordance with the New Accounting Standards, the balance of minority interests of RMB 183,317,433 shall be treated as equity under the New Accounting Standards, which resulted in an increase of RMB183,317,433 in the equity as at 1st January 2007.