

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders  
General Bearing Corporation

We have audited the consolidated balance sheets of General Bearing Corporation and Subsidiaries (the "Company") as of January 3, 2009 and December 29, 2007, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Bearing Corporation and Subsidiaries as of January 3, 2009 and December 29, 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**UHY** LLP

New York, New York  
April 10, 2009

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands, except for shares)

	<u>January 3, 2009</u>	<u>December 29, 2007</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,643	\$ 9,955
Due from bank	4,338	1,504
Loan receivable - related party	70	102
Accounts receivable, net of allowance for doubtful accounts of \$999 in 2008 and \$820 in 2007	23,125	25,628
Inventories	44,126	36,963
Prepaid taxes and taxes recoverable	1,340	2,610
Prepaid expenses and other current assets	2,808	2,857
Deferred tax assets	1,399	1,193
<b>Total current assets</b>	<b>85,849</b>	<b>80,812</b>
PROPERTY, PLANT AND EQUIPMENT	40,526	38,049
INVESTMENT IN, ADVANCES TO AND ACCOUNTS RECEIVABLE FROM JOINT VENTURES AND AFFILIATES	1,837	1,493
LOAN RECEIVABLE - RELATED PARTY	1,320	1,380
DEFERRED TAX ASSETS	354	-
OTHER ASSETS	214	338
<b>Total Assets</b>	<b>\$ 130,100</b>	<b>\$ 122,072</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES		
Notes payable - banks	\$ 28,636	\$ 22,380
Notes payable - related party	5,125	6,840
Accounts payable	14,263	12,582
Accounts payable - affiliate	1,321	819
Accrued expenses and other current liabilities	6,203	7,897
Current portion of long-term debt	36	62
<b>Total current liabilities</b>	<b>55,584</b>	<b>50,580</b>
LONG-TERM DEBT	3,660	7,199
OTHER LIABILITIES	187	166
DEFERRED TAXES	144	60
<b>Total liabilities</b>	<b>59,575</b>	<b>58,005</b>
MINORITY INTERESTS	21,228	17,276
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - par value \$.01 per share; 5,000,000 shares authorized; 4,174,450 issued and outstanding in 2008 and 2007	42	42
Paid-in capital	38,423	39,754
Accumulated other comprehensive income	3,163	1,838
Treasury stock, at cost; 561,817 and 450,828 shares	(5,159)	(3,273)
Retained Earnings / Accumulated deficit	12,828	8,430
<b>Total stockholders' equity</b>	<b>49,297</b>	<b>46,791</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 130,100</b>	<b>\$ 122,072</b>

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In Thousands, except for shares and per share data)

	<b>Years Ended</b>	
	<b>January 3, 2009</b>	<b>December 29, 2007</b>
<b>SALES</b>	<b>\$ 139,037</b>	<b>\$ 129,227</b>
COST OF SALES	<u>108,092</u>	<u>95,272</u>
GROSS PROFIT	<b>30,945</b>	<b>33,955</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>20,672</u>	<u>19,428</u>
OPERATING INCOME	<b>10,273</b>	<b>14,527</b>
OTHER EXPENSES, NET	<u>3,095</u>	<u>3,198</u>
INCOME FROM OPERATIONS BEFORE INCOME TAXES	<b>7,178</b>	<b>11,329</b>
INCOME TAXES	<u>918</u>	<u>2,422</u>
INCOME FROM OPERATIONS BEFORE MINORITY INTERESTS	<b>6,260</b>	<b>8,907</b>
MINORITY INTERESTS	<u>(403)</u>	<u>(1,912)</u>
<b>NET INCOME</b>	<b><u>\$ 5,857</u></b>	<b><u>\$ 6,995</u></b>
<b>Other Comprehensive Income</b>		
Foreign exchange translation	<b>1,325</b>	<b>969</b>
Mark to market-interest rate swap	<b>-</b>	<b>64</b>
<b>Total comprehensive income</b>	<b><u>\$ 7,182</u></b>	<b><u>\$ 8,028</u></b>
Net income per common share:		
Basic	<b>\$ 1.60</b>	<b>\$ 1.87</b>
Diluted	<b>\$ 1.56</b>	<b>\$ 1.80</b>
Weighted average number of common shares		
Basic	<b>3,664,028</b>	<b>3,732,223</b>
Diluted	<b>3,758,820</b>	<b>3,894,421</b>

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended January 3, 2009 and December 29, 2007**  
(In Thousands, except for shares)

	<u>Common Shares</u>		<u>Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amt.</u>			<u>Shares</u>	<u>Amt.</u>		
<b>Balance, December 30, 2006</b>	4,174,450	\$ 42	\$ 39,595	\$ 805	438,728	\$ (2,718)	\$ 1,435	\$ 39,159
Shares issued - non cash compensation	-	-	101	-	(36,500)	227	-	328
Options - non cash compensation	-	-	58	-	-	-	-	58
Treasury shares, at cost	-	-	-	-	48,600	(782)	-	(782)
Foreign exchange translation	-	-	-	969	-	-	-	969
Mark to market - interest swap	-	-	-	64	-	-	-	64
Net income	-	-	-	-	-	-	6,995	6,995
<b>Balance, December 29, 2007</b>	4,174,450	\$ 42	\$ 39,754	\$ 1,838	450,828	\$ (3,273)	\$ 8,430	\$ 46,791
Shares issued - non cash compensation	-	-	73	-	(21,000)	152	-	225
Purchase of stock options	-	-	(1,403)	-	-	-	-	(1,403)
Options - non cash compensation	-	-	68	-	-	-	-	68
Options - exercised	-	-	(69)	-	(12,000)	104	-	35
Treasury shares, at cost	-	-	-	-	143,989	(2,142)	-	(2,142)
Foreign exchange translation	-	-	-	1,325	-	-	-	1,325
Dividends paid to shareholders	-	-	-	-	-	-	(1,459)	(1,459)
Net income	-	-	-	-	-	-	5,857	5,857
<b>Balance, January 3, 2009</b>	4,174,450	\$ 42	\$ 38,423	\$ 3,163	561,817	\$ (5,159)	\$ 12,828	\$ 49,297

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	Years Ended	
	January 3, 2009	December 29, 2007
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 5,857	\$ 6,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	403	1,912
Depreciation and amortization	5,047	4,135
Deferred income taxes	(476)	(346)
Equity earnings in joint ventures and affiliates	(161)	(17)
Loss on disposal of property, plant and equipment	92	113
Stock based compensation	68	58
Impairment of investment	-	331
Other non - cash charges and credits, net	158	292
Changes in:		
Accounts receivable	2,504	(2,432)
Inventories	(7,163)	988
Due from bank	(2,833)	3,851
Prepaid expenses and other assets	1,208	(692)
Advances to affiliates	336	852
Accounts payable and accrued expenses	212	(2,977)
Net cash provided by operating activities	<u>5,252</u>	<u>13,063</u>
<b>INVESTING ACTIVITIES</b>		
Investment in affiliates	(105)	(44)
Cash received for additional equity, net	-	80
Fixed asset purchases	(5,055)	(11,009)
Repayment of loan - related party	70	40
Proceeds from sale of fixed assets	55	5,950
Net cash used in investing activities	<u>(5,035)</u>	<u>(4,983)</u>
<b>FINANCING ACTIVITIES</b>		
Increase / (decrease) in note payable - banks	6,256	(4,267)
Decrease in note payable - other	(62)	-
Increase / (decrease) in notes payable - related party	(2,843)	4,002
Net repayment of revolving credit facility	(2,200)	(4,005)
Dividends paid to minority interests	-	(3,181)
Dividends paid to stockholders	(1,459)	-
Proceeds from partner contributions in a joint venture	2,750	2,455
Proceeds from the exercise of common stock options	35	-
Purchase of treasury stock	(2,142)	(782)
Purchase of employee stock options	(1,403)	-
Net cash used in financing activities	<u>(1,068)</u>	<u>(5,778)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(851)</b>	<b>2,302</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>(461)</b>	<b>(378)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>9,955</u></b>	<b><u>8,031</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 8,643</u></b>	<b><u>\$ 9,955</u></b>