

INDEPENDENT AUDITORS' REPORT

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 2, 2010 and January 3, 2009, 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 2, 2010 and January 3, 2009, 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 13, 2010

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

	<u>January 2, 2010</u>	<u>January 3, 2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,894	\$ 8,643
Due from bank	-	4,338
Accounts receivable, net of allowance for doubtful accounts of \$1,010 in 2009 and \$999 in 2008	27,171	23,125
Inventories	32,645	44,126
Prepaid taxes and taxes recoverable	2,738	1,340
Prepaid expenses and other current assets	3,133	2,878
Deferred income taxes	1,299	1,399
Total current assets	74,880	85,849
PROPERTY, PLANT AND EQUIPMENT	38,173	40,526
INVESTMENT IN JOINT VENTURES AND AFFILIATES	3,514	1,837
LOAN RECEIVABLE - OFFICER	1,320	1,320
DEFERRED INCOME TAXES	677	354
OTHER ASSETS	740	214
Total Assets	\$ 119,304	\$ 130,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - banks	\$ 19,034	\$ 28,636
Notes payable - related party	3,294	5,125
Accounts payable - trade	13,552	14,263
Accounts payable - affiliate	1,308	1,321
Accrued expenses and other current liabilities	4,737	6,203
Current portion of long-term debt	-	36
Total current liabilities	41,925	55,584
LONG-TERM DEBT	4,392	3,660
OTHER LIABILITIES	166	187
DEFERRED INCOME TAXES	48	144
Total liabilities	46,531	59,575
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - par value \$.01 per share; 5,000,000 shares authorized; 4,174,450 issued and outstanding in 2009 and 2008	42	42
Paid-in capital	38,411	38,423
Accumulated other comprehensive income	3,163	3,163
Treasury stock, at cost; 542,817 and 561,817 shares	(4,981)	(5,159)
Retained Earnings	14,257	12,828
Total General Bearing Corporation stockholders' equity	50,892	49,297
NONCONTROLLING INTERESTS	21,881	21,228
Total stockholders' equity	72,773	70,525
Total Liabilities and Stockholders' Equity	\$ 119,304	\$ 130,100

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

	Years Ended	
	<u>January 2, 2010</u>	<u>January 3, 2009</u>
SALES	\$ 102,354	\$ 139,037
COST OF SALES	<u>84,108</u>	<u>108,092</u>
GROSS PROFIT	18,246	30,945
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>15,245</u>	20,672
OPERATING INCOME	3,001	10,273
OTHER EXPENSES, NET	<u>814</u>	3,095
INCOME FROM OPERATIONS BEFORE INCOME TAXES	2,187	7,178
INCOME TAXES	<u>104</u>	918
NET INCOME	2,083	6,260
Less: Net income attributable to the noncontrolling interests	<u>654</u>	403
NET INCOME ATTRIBUTABLE TO GENERAL BEARING CORPORATION	<u>\$ 1,429</u>	<u>\$ 5,857</u>
Other Comprehensive Income		
Net Income	\$ 2,083	\$ 6,260
Foreign exchange translation	<u>-</u>	<u>2,540</u>
Total comprehensive income	2,083	8,800
Comprehensive income attributable to the noncontrolling interests	<u>654</u>	1,618
Comprehensive income attributable to General Bearing Corporation	<u>\$ 1,429</u>	<u>\$ 7,182</u>
Net income per common share:		
Basic	\$ 0.39	\$ 1.60
Diluted	\$ 0.39	\$ 1.56
Weighted average number of common shares		
Basic	3,630,985	3,664,028
Diluted	3,694,030	3,758,820

GENERAL BEARING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended January 2, 2010 and January 3, 2009
(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>		
Balance, December 29, 2007	4,174,450	\$ 42	\$ 39,754	\$ 1,838	450,828	\$ (3,273)	\$ 8,430	\$ 46,791
Shares issued as compensation	-	-	73	-	(21,000)	152	-	225
Purchase of stock options	-	-	(1,403)	-	-	-	-	(1,403)
Options issued as 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
Balance, January 3, 2009	<u>4,174,450</u>	<u>\$ 42</u>	<u>\$ 38,423</u>	<u>\$ 3,163</u>	<u>561,817</u>	<u>\$ (5,159)</u>	<u>\$ 12,828</u>	<u>\$ 49,297</u>
Shares issued as cash compensation	-	-	(36)	-	(21,000)	193	-	157
Options issued as compensation	-	-	24	-	-	-	-	24
Treasury shares, at cost	-	-	-	-	2,000	(15)	-	(15)
Net income	-	-	-	-	-	-	1,429	1,429
Balance, January 2, 2010	<u>4,174,450</u>	<u>\$ 42</u>	<u>\$ 38,411</u>	<u>\$ 3,163</u>	<u>542,817</u>	<u>\$ (4,981)</u>	<u>\$ 14,257</u>	<u>\$ 50,892</u>

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

	Years Ended	
	January 2, 2010	January 3, 2009
OPERATING ACTIVITIES		
Net income	\$ 1,429	\$ 5,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncontrolling interests	654	403
Depreciation and amortization	4,855	5,047
Deferred income taxes	(320)	(476)
Equity earnings in joint ventures and affiliates	(76)	(161)
Loss on disposal of property, plant and equipment	197	92
Stock based compensation	24	68
Other non - cash charges and credits, net	(24)	158
Changes in:		
Accounts receivable	(4,046)	2,504
Inventories	11,482	(7,163)
Due from bank	4,338	(2,833)
Prepaid expenses and other assets	(2,310)	1,208
Advances to affiliates	(13)	336
Accounts payable and accrued expenses	(2,020)	212
Net cash provided by operating activities	<u>14,170</u>	<u>5,252</u>
INVESTING ACTIVITIES		
Investment in affiliates	(1,600)	(105)
Fixed asset purchases	(2,612)	(5,055)
Repayment of loan - related party	30	70
Proceeds from sale of fixed assets	14	55
Net cash used in investing activities	<u>(4,168)</u>	<u>(5,035)</u>
FINANCING ACTIVITIES		
Increase / (decrease) in note payable - banks	(9,602)	6,256
Decrease in note payable - other	(36)	(62)
Decrease in notes payable - related party	(1,098)	(2,843)
Net repayment of revolving credit facility	-	(2,200)
Dividends paid to stockholders	-	(1,459)
Proceeds from partner contributions in a joint venture	-	2,750
Proceeds from the exercise of common stock options	-	35
Purchase of treasury stock	(15)	(2,142)
Purchase of employee stock options	-	(1,403)
Net cash used in financing activities	<u>(10,751)</u>	<u>(1,068)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(749)	(851)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS, Beginning of Year	-	(461)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>8,643</u>	<u>9,955</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 7,894</u>	<u>\$ 8,643</u>