

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 December 31, 2005 and January 1, 2005, 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 December 31, 2005 and January 1, 2005, 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
March 31, 2006

GENERAL BEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands, except for shares)

	December 31, 2005	January 1, 2005
	<u>2005</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,751	\$ 4,878
Accounts receivable, net of allowance for doubtful accounts of \$547 in 2005 and \$541 in 2004	19,207	16,812
Inventories	33,927	27,113
Prepaid taxes and taxes recoverable	1,922	854
Prepaid expenses and other current assets	3,205	2,447
Advances to affiliates	53	80
Deferred tax assets	877	1,898
Total current assets	<u>68,942</u>	<u>54,082</u>
PROPERTY, PLANT AND EQUIPMENT	29,298	24,667
INVESTMENT IN, ADVANCES TO AND ACCOUNTS RECEIVABLE FROM JOINT VENTURES AND AFFILIATES	628	576
OTHER ASSETS	1,031	989
Total Assets	<u>\$ 99,899</u>	<u>\$ 80,314</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - banks	\$ 20,319	\$ 8,632
Accounts payable	13,936	11,935
Due to affiliates	8	92
Accrued expenses and other current liabilities	7,237	7,273
Current portion of long-term debt	2,505	240
Total current liabilities	<u>44,005</u>	<u>28,172</u>
LONG-TERM DEBT	7,676	14,029
DEFERRED TAXES	96	676
Total liabilities	<u>51,777</u>	<u>42,877</u>
MINORITY INTERESTS	15,751	13,135
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - par value \$.01 per share; authorized 19,000,000 shares; 4,174,450 issued and outstanding in 2005 and 2004	42	42
Paid-in capital	40,232	40,232
Accumulated other comprehensive income / (loss)	270	(458)
Treasury stock, at cost; 354,728 and 384,228 shares	(1,272)	(1,395)
Accumulated deficit	(6,901)	(14,119)
Total stockholders' equity	<u>32,371</u>	<u>24,302</u>
Total Liabilities and Stockholders' Equity	<u>\$ 99,899</u>	<u>\$ 80,314</u>

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

	Years Ended	
	December 31, 2005	January 1, 2005
SALES	\$ 109,873	\$ 84,116
COST OF SALES	<u>77,057</u>	<u>62,838</u>
GROSS PROFIT	32,816	21,278
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>18,005</u>	15,793
OPERATING INCOME	14,811	5,485
OTHER EXPENSES, NET	<u>2,167</u>	<u>1,856</u>
INCOME FROM OPERATIONS BEFORE INCOME TAXES	12,644	3,629
INCOME TAXES	<u>3,496</u>	<u>1,461</u>
INCOME FROM OPERATIONS BEFORE MINORITY INTERESTS	9,148	2,168
MINORITY INTERESTS	<u>(1,930)</u>	<u>(784)</u>
NET INCOME	<u>\$ 7,218</u>	<u>\$ 1,384</u>
Other Comprehensive Income		
Mark to market-interest rate swap	<u>276</u>	<u>334</u>
Total comprehensive income	<u>\$ 7,494</u>	<u>\$ 1,718</u>
Net income per common share:		
Basic	\$ 1.90	\$ 0.37
Diluted	\$ 1.84	\$ 0.37
Weighted average number of common shares		
Basic	3,805,450	3,772,152
Diluted	3,927,466	3,785,995

GENERAL BEARING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2005 and January 1, 2005
(In Thousands, except for shares)

	<u>Common Shares</u>		Paid-In Capital	Accumulated Other Comprehensive Income	<u>Treasury Stock</u>		Accum. Deficit	Total
	Shares	Amt.			Shares	Amt.		
Balance, January 3, 2004	7,102,200	\$ 71	\$ 40,133	\$ (792)	3,348,228	\$ (1,438)	\$ (15,503)	\$ 22,471
Shares issued - board compensation					(14,000)	43	-	43
Options exercised	22,250	-	70		-	-	-	70
Treasury shares, at cost	(2,950,000)	(29)	29		(2,950,000)	-	-	-
Mark to market - interest rate swap	-	-	-	334	-	-	-	334
Net income	-	-	-	-	-	-	1,384	1,384
Balance, January 1, 2005	<u>4,174,450</u>	<u>42</u>	<u>40,232</u>	<u>(458)</u>	<u>384,228</u>	<u>(1,395)</u>	<u>(14,119)</u>	<u>24,302</u>
Shares issued - board compensation	-	-	-		(29,500)	123	-	123
Foreign exchange translation	-	-	-	452	-	-	-	452
Mark to market - interest rate swap	-	-	-	276	-	-	-	276
Net income	-	-	-	-	-	-	7,218	7,218
Balance, December 31, 2005	<u>4,174,450</u>	<u>\$ 42</u>	<u>\$ 40,232</u>	<u>\$ 270</u>	<u>354,728</u>	<u>\$ (1,272)</u>	<u>\$ (6,901)</u>	<u>\$ 32,371</u>

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

	Years Ended	
	December 31, 2005	January 1, 2005
OPERATING ACTIVITIES		
Net income	\$ 7,218	\$ 1,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	1,930	784
Depreciation and amortization	3,417	3,313
Deferred income taxes	441	(457)
Equity earnings in joint ventures and affiliates	(36)	(15)
Loss / (gain) on disposal of property, plant and equipment	(85)	4
Other non - cash items charged to income	(75)	6
Changes in:		
Accounts receivable	(2,395)	(2,427)
Inventories	(6,814)	(1,092)
Prepaid expenses and other assets	(1,951)	3,267
Advances to affiliates	(59)	(441)
Accounts payable and accrued expenses	2,368	3,611
Net cash provided by operating activities	<u>3,959</u>	<u>7,937</u>
INVESTING ACTIVITIES		
Cash (paid) / received for additional equity, net	(921)	871
Fixed asset purchases	(7,505)	(1,958)
Dividends paid to minority stockholders	(538)	(553)
Proceeds from sale of fixed assets	151	40
Net cash used in investing activities	<u>(8,813)</u>	<u>(1,600)</u>
FINANCING ACTIVITIES		
Repayment of capital lease	(65)	(231)
Increase (decrease) in note payable - banks	12,412	(2,745)
Decrease in note payable - other	(200)	(200)
Net repayment of revolving credit facility	(4,545)	(916)
Proceeds from partner contributions in a joint venture	2,125	862
Proceeds from the exercise of common stock options	-	70
Net cash provided by (used in) financing activities	<u>9,727</u>	<u>(3,160)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,873	3,177
CASH AND CASH EQUIVALENTS, Beginning of Year	4,878	1,701
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 9,751</u>	<u>\$ 4,878</u>