

**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 29, 2007 and December 30, 2006, 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 29, 2007 and December 30, 2006, 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 4, 2008

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

	<u>December 29, 2007</u>	<u>December 30, 2006</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,955	\$ 8,031
Due from bank	1,504	5,356
Due from government	-	5,864
Loan receivable - related party	102	60
Accounts receivable, net of allowance for doubtful accounts of \$820 in 2007 and \$679 in 2006	25,628	23,196
Inventories	36,963	37,951
Prepaid taxes and taxes recoverable	2,610	1,760
Prepaid expenses and other current assets	2,848	2,397
Advances to affiliates	9	44
Deferred tax assets	1,193	865
<b>Total current assets</b>	<b>80,812</b>	<b>85,524</b>
PROPERTY, PLANT AND EQUIPMENT	36,934	28,413
INVESTMENT IN, ADVANCES TO AND ACCOUNTS RECEIVABLE FROM JOINT VENTURES AND AFFILIATES	1,493	1,734
LOAN RECEIVABLE - RELATED PARTY	1,380	1,440
OTHER ASSETS	1,453	2,264
<b>Total Assets</b>	<b>\$ 122,072</b>	<b>\$ 119,375</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES		
Notes payable - banks	\$ 22,380	\$ 26,490
Notes payable - related party	6,840	7,626
Accounts payable	12,582	16,628
Accounts payable - affiliate	819	-
Accrued expenses and other current liabilities	7,897	7,220
Current portion of long-term debt	62	-
<b>Total current liabilities</b>	<b>50,580</b>	<b>57,964</b>
LONG-TERM DEBT	7,199	6,637
OTHER LIABILITIES	166	197
DEFERRED TAXES	60	78
<b>Total liabilities</b>	<b>58,005</b>	<b>64,876</b>
MINORITY INTERESTS	17,276	15,340
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares - par value \$.01 per share; 5,000,000 shares authorized; 4,174,450 issued and outstanding in 2007 and 2006	42	42
Paid-in capital	39,754	39,595
Accumulated other comprehensive income	1,838	805
Treasury stock, at cost; 450,828 and 438,728 shares	(3,273)	(2,718)
Retained Earnings / Accumulated deficit	8,430	1,435
<b>Total stockholders' equity</b>	<b>46,791</b>	<b>39,159</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 122,072</b>	<b>\$ 119,375</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>December 29, 2007</b>	<b>December 30, 2006</b>
<b>SALES</b>	<b>\$ 129,227</b>	<b>\$ 119,462</b>
COST OF SALES	<u>95,272</u>	<u>84,019</u>
GROSS PROFIT	<b>33,955</b>	35,443
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>19,428</u>	18,796
OPERATING INCOME	<b>14,527</b>	16,647
OTHER EXPENSES, NET	<u>3,198</u>	2,374
INCOME FROM OPERATIONS BEFORE INCOME TAXES	<b>11,329</b>	14,273
INCOME TAXES	<u>2,422</u>	<u>3,652</u>
INCOME FROM OPERATIONS BEFORE MINORITY INTERESTS	<b>8,907</b>	10,621
MINORITY INTERESTS	<u>(1,912)</u>	<u>(2,285)</u>
<b>NET INCOME</b>	<b><u>\$ 6,995</u></b>	<b><u>\$ 8,336</u></b>
<b>Other Comprehensive Income</b>		
Foreign exchange translation	969	418
Mark to market-interest rate swap	<u>64</u>	<u>117</u>
<b>Total comprehensive income</b>	<b><u>\$ 8,028</u></b>	<b><u>\$ 8,871</u></b>
Net income per common share:		
Basic	<b>\$ 1.87</b>	<b>\$ 2.19</b>
Diluted	<b>\$ 1.80</b>	<b>\$ 2.12</b>
Weighted average number of common shares		
Basic	<b>3,732,223</b>	3,808,293
Diluted	<b>3,894,421</b>	3,934,770

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended December 29, 2007 and December 30, 2006**  
(In Thousands, except for shares)

	<u>Common Shares</u>		<u>Paid-In</u>	<u>Comprehensive</u>	<u>Treasury Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amt.</u>			<u>Capital</u>	<u>Income</u>		
<b>Balance, December 31, 2005</b>	4,174,450	\$ 42	\$ 40,232	\$ 270	354,728	\$ (1,272)	\$ (6,901)	\$ 32,371
Shares issued - board comp	-	-	83	-	(17,500)	63	-	146
Shares issued to officer	-	-	87	-	(28,000)	100	-	187
Purchase of stock options	-	-	(826)	-	-	-	-	(826)
Options exercised	-	-	-	-	(1,000)	3	-	3
Options granted	-	-	19	-	-	-	-	19
Treasury shares, at cost	-	-	-	-	130,500	(1,612)	-	(1,612)
Foreign exchange translation	-	-	-	418	-	-	-	418
Mark to market - interest swap	-	-	-	117	-	-	-	117
Net income	-	-	-	-	-	-	8,336	8,336
<b>Balance, December 30, 2006</b>	4,174,450	\$ 42	\$ 39,595	\$ 805	438,728	\$ (2,718)	\$ 1,435	\$ 39,159
Shares issued - board comp	-	-	62	-	(24,500)	153	-	215
Shares issued to officer	-	-	39	-	(12,000)	74	-	113
Options - 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

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

	<b>Years Ended</b>	
	<b>December 29, 2007</b>	<b>December 30, 2006</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 6,995	\$ 8,336
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	1,912	2,285
Depreciation and amortization	4,135	3,422
Deferred income taxes	(346)	(5)
Equity earnings in joint ventures and affiliates	(17)	(34)
Loss on disposal of property, plant and equipment	113	27
Stock based compensation	58	-
Impairment of investment	331	-
Other non - cash charges and credits, net	292	(10)
Changes in:		
Accounts receivable	(2,432)	(3,989)
Inventories	988	(4,025)
Due from bank	3,851	(5,356)
Prepaid expenses and other assets	(692)	(674)
Advances to affiliates	852	2
Accounts payable and accrued expenses	(2,977)	3,124
Net cash provided by operating activities	<u>13,063</u>	<u>3,103</u>
<b>INVESTING ACTIVITIES</b>		
Investment in affiliates	(44)	(813)
Cash received for additional equity, net	80	-
Return of capital paid to minority interests	-	(2,051)
Fixed asset purchases	(11,009)	(7,461)
Dividends paid to minority stockholders	(3,181)	(589)
(Loan to) / repayment of loan - related party	40	(1,500)
Proceeds from sale of fixed assets	5,950	20
Net cash used in investing activities	<u>(8,164)</u>	<u>(12,394)</u>
<b>FINANCING ACTIVITIES</b>		
Increase / (decrease) in note payable - banks	(4,267)	2,647
Decrease in note payable - other	-	(2,505)
Increase in notes payable - related party	4,002	7,626
Net (repayment) / proceeds from revolving credit facility	(4,005)	2,485
Proceeds from partner contributions in a joint venture	2,455	-
Proceeds from the exercise of common stock options	-	4
Purchase of treasury stock	(782)	(1,612)
Purchase of employee stock options	-	(826)
Net cash provided by financing activities	<u>(2,597)</u>	<u>7,819</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,302</b>	<b>(1,472)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(378)</b>	<b>(248)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>8,031</b>	<b>9,751</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ <u>9,955</u></b>	<b>\$ <u>8,031</u></b>