

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

BRIDGE TECHNOLOGY INC

Form 10-K/A

July 29, 2002

ver. 0

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

Form 10-K  
Amended 10K #1

This document is being filed to amend the Registrant's previously filed 10-K to include audited financial statements. Other parts of the document have been revised to conform to information contained in these financials statements.

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001  
-----

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-24767  
-----

BRIDGE TECHNOLOGY, INC.

-----  
(Name of small business issuer as specified in its Charter)

NEVADA 59-3065437  
-----  
(State or other Jurisdiction of (IRS Employer  
Incorporation or organization) Identification No.)

12601 Monarch Street, Garden Grove, CALIFORNIA 92841  
-----  
(Address of principal executive offices) (Zip code)

Issuer's telephone number: (714) 891-6508  
-----

Issuer's facsimile number: (714) 890-8590  
-----

Securities registered under Section 12(b) of the Exchange Act: None  
-----

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Securities registered under Section 12(g) of the Exchange Act:

Common Stock

-----  
(Title of Class)

1

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State issuer's revenues for its most recent fiscal year. \$142,020,299  
-----

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) December 31, 2001  
\$14,400,000  
-----

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.  
Common Stock, \$0.01 Par Value - 10,863,186 shares as of December 31, 2001  
-----

2

TABLE OF CONTENTS PAGE  
-----

PART I

Item 1. Business.	5
Item 2. Properties.	16
Item 3. Legal Proceedings.	17
Item 4. Submission of Matters to a Vote of Security Holders.	18

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.	19
--	----

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Item 6. Selected Financial Data.	20
Item 7. Management's Decision and Analysis of Financial Condition and Results of Operation.	22
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	33
Item 8. Financial Statements and Supplementary Data	34
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	75
PART III	
Item 10. Directors and Executive officers of the Registrant.	75
Item 11. Executive Compensation.	77
Item 12. Security Ownership of Certain Beneficial Owners and Management.	78
Item 13. Certain Relationships and Related Transactions.	79
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.	79
SIGNATURES	81

3

### PART I

#### Important Factors Related to Forward-Looking Statements and Associated Risks

This Amended Form 10-K contains certain forward-looking statements that are based on current expectations and involve a number of risks and uncertainties. All of the non-historical information herein is forward-looking. The forward-looking statements included herein and elsewhere in this filing are based on, among other items, current assumptions that the Company will be able to meet its current operating cash and debt service requirements with internally generated funds and its available line of credit, that it will be able to successfully resolve disputes and other business matters as anticipated, that competitive conditions within the semiconductor, integrated circuit and custom diode assembly industries will not change materially or adversely, that the Company will retain existing key personnel, that the Company's forecasts will reasonably anticipate market demand for its products, and that there will be no materially adverse change in or affecting the Company's operations or business. Related or other factors that could cause results to vary materially from current expectations are discussed below in this Part I, Item 1 or elsewhere in this Amended Form 10-K, including Part I, Item 3; and Part II, Items 5,7 and 8. Assumptions relating to forward-looking

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

statements involve judgments about matters that are difficult to predict accurately and are subject to many factors that can materially affect results. Forecasting and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments. The impact of which may cause the Company to alter its forecasts, which may in turn affect the Company's results. The Company does not undertake to update any forward-looking statements made herein, and shall do so only as and when the Company determines to do so. In light of the factors that can materially affect the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Readers are cautioned against giving undue weight to forward-looking statements and are asked to consider all of the factors referred to herein, in subsequent filings by the Company with the Securities and Exchange Commission or elsewhere.

4

### ITEM 1. BUSINESS.

Bridge's vision is to develop state-of-the-art power electronics components. The Company uses these components to design leading edge subsystems and products for information technology, medical, gaming and communications industries. To capitalize on the potential of these designs the Company endeavors to develop, purchase, assemble, integrate, manufacture, test, package, market and sell a broad family of products. Company established operating divisions and subsidiaries under several separate business names, each focused on specific products and sales channels.

Bridge uses in-house development, joint ventures, licensing, and acquisition of leading edge technologies and companies to deploy them in new products for OEM customers. The Company is creating innovative products demanded by computer and communications equipment Original Equipment Manufacturers (OEMs), value-added resellers and system integrators, and ultimately by the end users. The Company sells these products directly to OEMs and systems integrators, and through selected distributors and manufacturer's representatives. We currently employ approximately 356 full time employees, including senior management and manufacturing personnel and 25 administrative personnel.

Currently the Company has four wholly owned subsidiaries: PTI Enclosures, Inc. (USA), Bridge Technology Ningbo Co., Ltd., Bridge R&D, Inc. (USA), and Autec Power Systems, Inc. (USA). In addition the Company owns a 90% interest in CMS Technology (Hong Kong). The Company also owns minority shares in several small companies in the USA and overseas.

The Company has two primary groups:

- I) POWER ELECTRONICS GROUP: AUTEC (USA), PTI (USA), Bridge Technology Ningbo (China)
- II) CHANNEL DISTRIBUTION GROUP: Bridge R&D, CMS Technology, Ltd.

POWER ELECTRONICS GROUP:

-----

Autec Power Systems Inc.

-----

Through an exchange of shares of common stock effective December 1, 1999, the Company acquired 100% of the equity interest in Autec Power Systems Inc. ("Autec"). The exchange was on the basis of one share of the Company's

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

common stock for two shares of Autec common stock outstanding.

Autec designs, develops, engineers and produces high quality power supplies for a diversified list of clientele. Autec also sells a family of proprietary automobile power adapters and selected clear plastic consumer electronics products to its customers. Mr. Winston Gu, Chairman and principal shareholder of Autec serves as the Company's Chairman and a member of the Executive Steering Committee.

The Company opened its new 110,000 square feet, Ningbo, China electronics manufacturing operation in May 2001 and commenced hiring and training of manufacturing personnel. Current Ningbo factory capacity is 600,000 power supply units per month per single shift, with two of the six planned production lines operational. The Company power electronics division expects to increase its revenues by providing products and contract manufacturing services to major OEM customers. The Company expects that its new facility will gradually increase its utilization during 2002 and operate near or at capacity by 2004. The maximum theoretical plant capacity can be expanded by adding 4 additional double-sided production lines. No assurances can be given that the Company will be able to increase utilization or revenues.

5

PTI Enclosures, Inc. (PTI)

-----  
Delivering the shortest time to market to the OEM customers is PTI, Inc.'s main business objective. PTI is focused on designing, developing, manufacturing, testing, and selling custom-designed enclosures, power supplies and complete subsystems for computer peripherals, tele-communications equipment, medical equipment, gaming equipment and other electronics devices. Customers include major computer and computer peripheral manufacturers, telecommunications manufacturers, government entities, manufacturers of gaming devices and medical instrumentation manufacturers who use PTI's capability to produce OEM products manufactured to their exact specifications. All OEM based and custom designed products provide high quality at competitive prices. PTI also sells products to sub-system integrators who add the peripherals and software to PTI's enclosures and then sell these complete products to the end users. The enclosures PTI provides encompass hard drive enclosures, tape enclosures, CD tower enclosures, RAID disk array enclosures, communications system enclosures, medical system enclosures, various server enclosures and other enclosures. PTI also supplies enclosures and power supplies for several special-purpose systems.

Newcorp Technology, Ltd. (Japan)

-----  
The Company reduced its interest in Newcorp Technology, Ltd. Japan (Newcorp) as of December 31, 2001, selling 85% of Newcorp for 65,000 shares of Bridge Technology, Inc. common stock to Mr. Hideki Watanabe, the President of Newcorp Technology Ltd. Japan and a Director of Bridge Technology, Inc..

II. CHANNEL DISTRIBUTION GROUP:

-----  
Bridge R&D has two main distribution activities, Classic Trading and DataStor. Classic Trading supports leading OEM manufacturers in distributing their products under contractual arrangements. In today's environment we have been fortunate in growing this aspect of our business. In addition to Classic Trading, the Company operates DataStor, as a division of Bridge R&D.

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

DataStor is a brand name of a family of products marketed by Bridge R&D, Inc. under the name "DataStor" by the DataStor group. DataStor group identifies, designs, procures, lightly manufactures, assembles, tests and distributes metal and plastic enclosures, brackets and enhancement kits for a variety of computer platforms. Certain products are produced under specific contracts with several manufacturers. DataStor group also sells external peripheral kits consisting of enclosures and power supplies, mounting brackets for various peripherals in PC systems. DataStor group supplies various mass storage enabling products, including enclosures for 1 to 7 drives, drive mounting brackets, and fixed and removable mounting bracket kits.

DataStor group sells its products to Ingram Micro, a major distributor of computer products. Ingram Micro provides virtual inventory warehouse and supply operations to national resellers including NECX and others, who further sell to the second tier distributors and systems integrators. Other customers are master resellers who sell to second and third-tier OEMs, Value Added Resellers (VARs) and system integrators. DataStor group is dedicated to maintaining its market position as an industry leader in making cutting edge technology available to customers. DataStor group is constantly researching market demand and developing new product lines and solutions.

6

CMS Technology, Ltd. (Hong Kong)

-----  
CMS markets and sells IBM Technology Group products, with main emphasis on the sales of computer hard disk drives in the Hong Kong and Mainland China markets. CMS was established under the laws of the Hong Kong Special Administration Region of China on June 22, 1998. CMS signed the first OEM distribution agreement with International Business Machines Corporation (IBM) on June 24, 1998 as an authorized distributor of IBM hard disks and other IBM Technology Group products for the assigned territory including China, Vietnam and the Philippines. CMS management has over 40 years of experience in marketing and sales of mass storage peripherals. Prior to establishing the CMS Hong Kong operation the CMS team has been selling hard drives and tape drives produced by all major vendors. CMS management gained significant experience in doing business in China through involvement in manufacturing and distribution during the past fifteen years. Combining the experience of doing business with Chinese customers with an intimate knowledge of mass storage business, CMS quickly penetrated the rapidly growing China market with IBM hard disk drive storage products. CMS is focused on sales to major OEM customers, while building a strong company and brand name reputation with the distribution and systems integration customers.

CMS settles all sales in Hong Kong in HK dollars, primarily for collectability and readily convertibility to U.S. currency. In addition, Hong Kong assures the most favorable exchange rates, and also protects CMS against any currency fluctuations, since the HK dollar is firmly tied to the US dollar. CMS manages its inventory under the terms of its contract with IBM, which affords CMS price protection against decreases in the market price of hard disk drives. CMS turns its inventory in less than 60 days, while it has price protection for up to 90 days on all unsold inventory in stock.

The simple and effective structure of CMS requires almost no material capital investment in property and equipment. CMS infrastructure is very efficient and we reported revenues of more than \$2.27 million per employee in 2001. The value of property and equipment used in 2001 was less than \$70,000, and it is expected to remain unchanged in the near future. CMS maintains a close relationship with IBM management and IBM field engineering. CMS

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

understands End-of-life product management, new product launch and timely availability to the sales channel, and the related critical inventory management throughout the entire life cycle of each generation of hard disk drive products. We are planning to further expand our product line with IBM, working closely with our customers in procuring additional new products.

Our customers are of paramount importance to our continued growth. We work closely with our customer's engineering, purchasing, sales and marketing teams to create a long-term relationship of trust and mutual success. We support our customers with early evaluation units of new products, engineering support during the qualification and selection process, preliminary specifications and ongoing qualify maintenance. In 2001 Legend Holdings Ltd. accounted for 20 percent of sales.

7

CMS has five Master resellers in China, who support our regional resellers in the surrounding cities. We support all of our major resellers from our Hong Kong headquarters. Each of our Master resellers has a minimum of five years of experience selling and supporting hard drives in their territory.

Although CMS has become a dominant supplier of IBM drives to the China market, we have strong competitors in other parts of Asia. From time to time product originally sold to other parts of Asia flows into the China market without IBM authorization. These competitors are primarily other IBM Authorized Distributors in South Asia Pacific Region, including, CES International Limited (Singapore based company), Xanders International and Acer (both Taiwan based companies).

We utilize standard RMA (Return Material Authorization) process to manage the replacement of hard disk drives that fail within the warranty period. We record the serial numbers of all hard disk drives shipped to our customers, and when submitted to us for RMA replacement by our customers, we check them against the serial numbers in our database. This allows us to track 100% of the drives we sold. We are also able to track the drives sold by un-authorized channels, and determine the original source of these products. Historical overall RMA rate runs between 3% to 5%, depending on the specific model. As long as we replace defective units in a timely manner, the IBM RMA policy allows us to minimize any losses due to out-of-warranty replacement claims.

CMS revenue projections are very conservative, as we typically base our forecast primarily on our historical internal organic growth. However, in light of China's recent accession to the World Trade Organization, CMS management believes we will be able to increase the scope of our activities with IBM and further strengthen our already close relationships within the People's Republic of China. We believe that with additional financing we could increase revenue and accelerate the growth of the sales channel base by focused expansion into this rapidly growing market. Since China was elected to host the Olympic games in 2008, we expect significant increases in IT spending to accelerate at least until 2008.

The ability of CMS to sustain the historical growth of revenues and profits will depend, in part, upon the successful marketing of new products, which depends on the successful and timely introduction of new products by IBM. It further depends on CMS ability to perform to IBM forecast, and availability of additional financing to fund the expected additional growth. The market for hard disk drives is a commodity market, characterized by continued big increases in storage capacity

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

and by brutal and sometimes unforeseeable drops in the market prices of hard disk drives. There can be no assurance that IBM will be able to keep pace with the steep price erosions, and that it will be able to provide CMS products that can compete in this fiercely competitive market. Furthermore, there is no assurance that the Company will be able to generate and sustain net sales or profitability in the future. CMS has never been a party to any litigation, nor do we anticipate any legal issues in the near future.

8

### Competition

-----  
Manufacturing of power electronics products and mass storage subsystems, and distribution of mass storage products, computer peripheral products, computer enhancement, communications and other commercial electronics products is fiercely competitive. The Company competes with numerous other companies, including many established manufacturers and distributors. Certain competitors have greater financial and other resources than the Company. Consequently, such entities may begin to develop, manufacture, market and distribute systems that are substantially similar or superior to our Company's products. There is no assurance that the Company will be able to continue to develop and sell products that afford it significant competitive advantage in the market.

### Importance of New Product Development to Growth

-----  
The Company's ability to develop or procure, and quickly and successfully introduce new products is and will continue to be a significant factor to its growth and to its remaining competitive. Development, procurement and introduction of new product lines is costly and risk intensive. New product development often requires long term forecasting of market trends, the development and implementation of new designs, compliance with extensive governmental regulatory requirements and substantial capital commitments during introduction to the market.

There are many manufacturing and design risks inherent in turning engineering high cost custom built prototypes, (upon which development and contracting decisions are often made), into commercial products that can be manufactured in large quantities at acceptable cost. Also, computer peripherals industry is characterized by extremely rapid technological change. As technological changes occur in the marketplace, the Company may have to modify its products in order to keep pace with these changes and developments.

Introduction of products embodying new technologies, or the emergence of new industry standards, may cause the existing products, or even the new products under development, to become obsolete or unmarketable. Any failure by the Company to anticipate or respond in a cost-effective and timely manner, to government requirements, market trends, and customer requirements, or any significant delays in product development or introduction, could have major material adverse effect on the Company's business, results of operations, and financial condition.

9

### Expansion through Internal Growth, Acquisitions and Joint Ventures

-----  
The Company focuses its resources on growing its business by selling existing products to new customers, by providing additional new products to current



## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

customers, and by targeting new market niches for products that the Company can produce or procure within its core capabilities. Since new management began operating the Company in 1997, the Company has experienced rapid growth in revenues and geographic scope of operations. Any future growth may place a significant strain on management and on the Company's financial resources and information processing systems. In conjunction with the Autec acquisition, Mr. Winston Gu has joined the executive staff as Chairman of the Company, and Mr. James Djen assumed the role of CEO. To be successful the Company has to find and attract additional seasoned talent in this highly competitive area. The failure to recruit additional staff and key personnel, to have sufficient financial resources to respond effectively to difficulties encountered pursuing expansion could have a material adverse effect on the Company's business, operating results and financial condition.

The Company intends to expand its product lines and domestic and international markets, in part, through acquisitions. The Company's ability to expand successfully through acquisitions will depend upon the availability of suitable acquisition candidates at the prices acceptable to the Company, upon the Company's ability to consummate such transactions and the availability of financing on terms acceptable to the Company. There can be no assurance that the Company will be successful in completing acquisitions.

Such expansions involve numerous risks, including possible adverse short-term effects on the Company's operating results or the market price of the common stock. These acquisitions and joint ventures will be subject to approval or ratification by the Company's stockholders. The Company uses outside appraisers for all significant acquisitions. It is expected that the Directors will require its Officers to obtain valuation opinions or contact letters on all future acquisitions.

Certain of the Company's future acquisitions may also give rise to an obligation by the Company to make contingent payments or to satisfy certain repurchase obligations, which could have an adverse financial effect on the Company. In addition, integrating acquired businesses may result in a loss of customers or product lines of the acquired businesses and also requires significant management attention and may place significant demands on the Company's operations, information systems and financial resources. The failure effectively to integrate acquired businesses with the Company's operations could adversely affect the Company. This is especially true of international acquisitions.

10

In addition, the Company competes for acquisition opportunities with companies which have significantly greater financial and management resources than those of the Company. There can be no assurance that suitable acquisition opportunities will be identified and that any such transactions can be consummated, or that, if acquired, such new businesses can be integrated successfully and profitably into the Company's operations. Moreover, there can be no assurance that the Company's historic rate of growth will continue and that the Company will continue to successfully expand, or that growth or expansion will result in profitability.

Several of the matters discussed in this document contain forward-looking statements that involve risks and uncertainties. Factors associated with the forward-looking statements, which could cause actual results to differ materially from those projected or forecast in the statements, appear below. In addition to other information contained in this document, readers should carefully consider the following cautionary statements and risks factors.

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

### CAUTIONARY STATEMENTS AND RISK FACTORS

#### Limited Operating History; History of Losses and Accumulated Deficits

---

While the Company has been in existence since 1969, its operations between 1975 and 1997 were limited to the exploration of acquisition opportunities. Bridge Technology Inc. and its subsidiaries have only been in operation since June 1, 1997. At December 31, 2001, the Company's accumulated deficit was \$2,188,000, and the loss of approximately \$2.54 million occurred in 2001. The ability of the Company to obtain and sustain profitability will depend, in part, upon the successful marketing of existing products and the successful and timely introduction of new products. There can be no assurance that the Company will be able to generate and sustain net sales or profitability in the future.

#### Need for Additional Financing

---

Based on its current operating plan, the Company anticipates that further capital will be required during the next twelve months to satisfy the Company's expected increased working capital requirements and research and development requirements for its new products already in the planning or development stage. The Company is currently exploring alternative financing plans to fulfill these requirements. No assurance can be given that additional financing will be available when needed or that, if available, it will be on terms favorable to the Company or its stockholders. If needed funds are not available, the Company may be required to curtail its operations, which could have a material adverse effect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, additional dilution to stockholders would occur.

On July 24, 2002 the Company entered into a loan modification and extensions agreement with a commercial bank for its outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 is due by September 15, 2002 and no less than \$1,000,000 is due on November 30, 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. However, if the Company makes all of the foregoing payments on a timely basis and has not otherwise defaulted on the loan, the maturity date for the remaining unpaid balance will be extended until June 30, 2003.

11

#### Dependence on Key Personnel

---

The Company's future performance will depend significantly upon its management. The Company is in the process of reviewing employment contracts with the following Officers and Management who are members of the Company's Executive Steering Committee.

Winston Gu, Chairman of Bridge Technology, Inc.  
James Djen, CEO and President of Bridge Technology, Inc.  
John T. Gauthier, CFO of Bridge Technology, Inc.

In addition, the Company's success will be dependent upon its ability to

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

recruit and retain additional qualified personnel. Any failure by the Company to retain and attract key personnel could have a material adverse effect on the Company's business, operating results, and financial condition.

### Limited Proprietary Protection

-----

The Company's success and ability to compete is dependent in part upon its proprietary technology. The Company's proprietary products are not yet protected by any patents. Therefore, to date the Company has relied primarily on trademark, trade secrets and Copyright laws to protect its technology. Also, the Company has implemented a policy that most senior and technical employees and third-party developers sign non-disclosure agreements. However, there can be no assurance that such precautions will provide meaningful protection from competition or that competitors will not be able to develop similar or superior technology independently. Also, the Company has no license agreements with the end users of its products, so it may be possible for unauthorized third parties to copy the Company's products or to reverse engineer or otherwise obtain and use information that the Company regards as proprietary. If in the future litigation is necessary to enforce the Company's intellectual property rights, to protect the Company's trade secrets, or to determine the validity and scope of the proprietary rights of others, such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, operating results and financial condition.

Ultimately, the Company may be unable, for financial or other reasons, to enforce its rights under the intellectual property laws. In addition, the laws of certain countries in which the Company's products are or may be distributed may not protect the company's products and intellectual property rights to the same extent as the laws of the United States.

12

The Company believes that its products do not infringe upon any valid existing proprietary rights of third parties. In 2001 the Company was sued by a competitor and it won its counter-claim against a competitor of proprietary automobile phone charger products. Although the Company has received no communication from third parties alleging the infringement of proprietary rights of such parties since this lawsuit, there can be no assurance that third parties will not assert infringement claims in the future. Any such third party claims, whether or not meritorious, could result in costly litigation or require the Company to enter into royalty or licensing agreements. There can be no assurance that the Company would prevail in any such litigation or that any such licenses would be available on acceptable terms, if at all. If the Company were found to have infringed upon the proprietary rights of third parties, it could or required to pay damages, cease sales of the infringing products and redesign or discontinue such products, any of which alternatives, individually or collectively could have a material adverse effect on the Company's business, operating results and financial condition.

### Speculative Nature of Company's Proposed Plan

-----

The success of the Company's proposed plan of operation will depend to a great extent on management, present and future, operating within the confines of limited financial resources. The planned growth is directly dependent on the Company's ability to secure investment in its business units. Negotiations have commenced with interested parties. Without outside financing the Company may have to revise its

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

growth plans and lower its estimates. There is no assurance that outside financing will be available to the Company, and if such financing were available that the terms of such proposed financing would be acceptable to the Company.

### Lack of Market Research or Marketing Organization

-----

The Company has determined on its own that a market demand exists for the Company's contemplated business. The Company does not have a separate marketing organization. Present management will market the Company's products and services on a division basis as they are developed. Even if demand is identified for value added computer peripheral products in the development stage by the Company, there is no assurance the Company will be successful in the business.

13

### Lack of Diversification

-----

The Company's proposed operations, even if successful, will in all likelihood be limited in nature until the Company obtains additional financing planned for the 1st half of the year 2002. The Company's inability to diversify its activities into a number of areas may subject the Company to economic fluctuations within a particular specific field, and therefore increase the risks associated with the Company's operations.

### Regulation

-----

Although the Company will be subject to regulation under the Securities Exchange Act of 1934, management believes the Company will not be subject to regulation under the Investment Company Act of 1940, insofar as the Company will not be engaged in the business of investing or trading in securities. In the event the Company engages in business combinations which result in the Company holding passive investment interests in a number of entities, the Company could be subject to regulation under the Investment Company Act of 1940. In such event, the Company would be required to register as an investment company and could be expected to incur significant registration and compliance costs. The Company has obtained no formal determination from the Securities and Exchange Commission as to the status of the Company under the Investment Company Act of 1940 and, consequently, any violation of such Act would subject the Company to material adverse consequences.

### Product Liability

-----

The Company's power electronics division AUTECH experienced a product liability claim which was settled. The sale and support of products by the Company may entail the risk of such claims, and there can be no assurance that the Company will not be subject to such claims in the future. A successful product liability claim or claim arising as a result of use of the Company's products brought against the Company, or negative publicity attendant to any such claim, could have a material adverse effect upon the Company's business, operating results and financial condition. The Company intends to procure product liability insurance with coverage limits of \$1,000,000 per occurrence and \$1,000,000 per year. While the Company believes that these amounts are sufficient, there can be no assurance that amounts are adequate insurance coverage, there can be no assurance that the amount of insurance will be adequate to satisfy claims made against the Company in the future, or that the Company will be able to obtain insurance in the future at satisfactory rates or in adequate amounts.

Limitation of Liability and Indemnification  
-----

The Company's Amended and Restated Certificate of Incorporation limits, to the maximum extent permitted by the Nevada General Corporation Law ("Nevada Law"), the personal liability of directors for monetary damages for breach of their fiduciary duties as a director, and provides that the Company shall indemnify its officers and directors and may indemnify its employees and other agents to the fullest extent permitted by law.

The Company is entering into indemnification agreements with its directors and executive officers which may require the Company, among other things, to indemnify such directors or executive officers against liabilities that arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The Company purchased director's and officer's liability insurance for a total of \$5,000,000. Nevada Law provides that a corporation may indemnify a director, officer, employee or agent made, or threatened to be, a party to an action by reason of the fact that he was a director, officer, employee or agent of the corporation or was serving at the request of the corporation against expenses actually and reasonably incurred in connection with such action if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect of any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful.

Nevada Law does not permit a corporation to eliminate a director's duty of care, and the provisions of the Company's Amended and Restated Certificate of Incorporation have no effect on the availability of equitable remedies, such as injunction or rescission, for a director's breach of the duty of care. INsofar AS INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT OF 1933 MAY BE PERMITTED TO DIRECTORS, OFFICERS OR PERSONS CONTROLLING THE COMPANY PURSUANT TO THE FOREGOING PROVISION, OR OTHERWISE, THE COMPANY HAS BEEN INFORMED THAT IN THE OPINION OF THE SECURITIES AND EXCHANGE COMMISSION SUCH INDEMNIFICATION IS AGAINST THE PUBLIC POLICY AS EXPRESSED IN THE ACT AND IS THEREFORE UNENFORCEABLE.

ITEM 2. PROPERTIES.

The Company has minimal properties and at this time has no agreements to acquire any properties. The Company's corporate offices, and the offices of its subsidiaries Bridge R&D, Inc. and PTI are located in sublet facilities at 12601 Monarch Street, Garden Grove, CA. 92841. This facility has approximately 50,000 square feet and it houses corporate offices, manufacturing and warehouse operations. The lease is for 5 years at an average annual rent of \$145,000 per year.

The Company's subsidiary Autec leases a 30,000 square feet facility in Simi Valley, California. The lease is for 8 years at an average annual rent \$198,000 per year.

Bridge Technology Ningbo Co., Ltd. ("Ningbo") leases a manufacturing facility in the City of Ningbo, Zhejiang Province of China. This lease requires a monthly payment of \$12,513 through December 2005.

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

CMS operation is located in the Peninsula Tower, 538 Castle Peak Road, Suite 1610, Kowloon, Hong Kong. CMS leases 3,700 square feet of office space, with a 10-year lease at \$40,000 per year.

16

### ITEM 3. LEGAL PROCEEDINGS.

On April 24, 2002 a complaint was filed against the Company in the Orange County Superior Court, Santa Ana, California by Mason Tarkeshian for fees alleged to be due on an acquisition which was not consummated. The complaint seeks for damage of approximately \$2 million where as the Company believes that the complaint is without merit and will be resolved in favor of the Company. The Company tendered this case to the insurance carrier for settlement and has not accrued any liabilities for this matter as of December 31, 2001. In 2002, this complaint was settled by the Company's insurance carrier and the Company. The Company's portion of contribution to the settlement was to issue a warrant to purchase 25,000 shares of common stock of Bridge at \$0.55 per share. The Company issued that warrant in 2002 and is awaiting the receipt of a specific and general release.

On October 1, 2001 a complaint was filed by a trustee in U.S. Bankruptcy Court against the Company for alleged transfer of assets, technology, trade secrets, confidential information, business opportunities from Allied Web, Inc, a corporation owned by the Company's former President, which filed for liquidation under Federal Bankruptcy laws on April 6, 2000. At December 31, 2001, management of the Company was unable to assess the possibility of incurring future liability and estimate the reasonable amount of the contingent liability. Therefore, the Company did not record any accrued liability for this matter. In July 2002, this case was settled by the Company's insurance carrier and the Company in principal. The Company is awaiting for the finalized documents to be signed soon.

17

On November 14, 2001, a complaint was filed by Oppenheimer Wolff & Donnelly LLP in the Orange County Superior Court, Santa Ana, California against the Company for fees allegedly owed by the Company. The Company intends to vigorously defend this claim because the amount invoiced was deemed excessive comparing to the actual services rendered. The estimated liability including interest, costs and statutory attorney's fees was approximately \$100,000. The Company has recorded liabilities for this amount in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("SFAS No. 5"). A non binding arbitration settlement discussions were conducted during the week of July 15, 2002. The Company is awaiting the arbitrator's decision.

On December 12, 2001, Chung Cheng Chen, a former shareholder of Autec Power Systems has filed a complaint in the Superior Court County of Ventura, Simi Valley, California against the former controlling shareholder of Autec, Mr. Winston Gu and Bridge Technology, Inc., alleging that he/they did not receive sufficient exchange of shares in this acquisition by Bridge Technology, Inc. While an attempt to settle this complaint have been made, the parties have not yet reached a settlement. The Company believes that the complaint is without merit as to Bridge Technology, Inc. and will be

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

resolved between the parties. At December 31, 2001, management of the Company was unable to assess the possibility of incurring future liability and estimate the reasonable amount of contingent liability. Therefore, the Company did not record any accrued liability for this matter.

On April 16, 2002, a complaint was filed by Danton Mak Esq. in the Superior Court of Los Angeles against Autec Power Systems, Inc. for fees alleged owed by Autec. The matter has been settled by stipulation with four equal payments of \$27,000 due on June 1, July 1, August 1 and September 1, 2002.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of shareholders in the calendar year 2001.

18

## PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is traded in the NASDAQ Small Cap Market System under the symbol BRDG. The following table sets forth the range of high and low closing prices in the NASDAQ Small Cap Market System for the Common Stock for the periods indicated, as reported by the National Quotation Bureau Incorporated. Prices represent actual reported sale prices.

Fiscal Years Ended December 31,

	Price	
	High	Low
2001		
First Quarter .....	\$ 3.875	\$ 1.375
Second Quarter .....	\$ 2.730	\$ 1.063
Third Quarter .....	\$ 2.140	\$ 1.15
Fourth Quarter .....	\$ 1.72	\$ 0.900
2000		
First Quarter .....	\$14.625	\$9.75
Second Quarter .....	\$ 9.25	\$4.875
Third Quarter .....	\$ 8.88	\$5.50
Fourth Quarter .....	\$ 7.50	\$1.53125

Our Company had approximately 2,800 shareholders of record on March 31, 2002.

#### Dividend Policy and Restrictions on Dividend Payments

-----  
The Company intends to continue its policy of retaining all earnings for reinvestment in the business operations of the Company. However, the Board has authorized a stock dividend of the shares of two subsidiaries, subject to legal approval, tax review, consent of General Bank and the Shareholders. This action will be presented to the Shareholders at the annual meeting in early May 2002.

## Item 6. SELECTED FINANCIAL DATA.

The historical operating results data, per share data and balance sheet data set forth below are derived from the historical financial statements of our Company, which have been restated to reflect the Autec Power Systems, Inc., and PTI Enclosures, Inc. acquisitions and the related accounting treatment (See note 1 of notes to consolidated financial statements). The balance sheet data includes the accounts of PTI Enclosures, Inc. as of December 31, 2000, and 2001; Autec Power Systems, Inc. as of December 31, 2000 and 2001; and CMS Technology Limited, Hong Kong as of December 31, 2000 and 2001. Operating results and per share data for the years ended December 31, 1997, 1998, 1999, 2000, and 2001 include the results for PTI Enclosures, Inc. and Autec Power Systems, Inc., and December 31, 2000 and 2001 includes the operating results of CMS Technology Limited, Hong Kong.

Selected Financial Data  
(Figures in thousands, except per share amounts)

	Years Ended December 31,				
	1997	1998	1999	2000	2001
Revenues	\$ 14,489	\$ 28,738	\$ 34,272	\$120,919	\$142,020
Cost of goods sold	12,473	23,233	27,962	108,834	134,703
Gross profit	2,016	5,505	6,310	12,085	7,317
Selling, general and administrative costs	2,031	5,415	5,016	9,077	8,925
R & D expense	-	322	339	689	1,185
Income (loss) from operations	(15)	(232)	956	2,319	(2,793)
Other income (expense)					
Interest income (expense), net	(11)	11	69	(391)	(738)
Gain on sales of investment	-	-	-	-	879
Provision for note receivable from a related party	-	-	-	-	(263)
Other income (expense)	(98)	2	(12)	36	317
Income (loss) before tax	(124)	(219)	1,013	1,964	(2,2598)
Income tax provision (benefit)	(25)	87	363	632	(208)
Net income (loss) before minority interest	(99)	(306)	649	1,333	(2,388)
Minority interest	-	-	11	(233)	(154)
Net income (loss)	(99)	(306)	660	1,099	(2,542)



Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Preferred stock dividend	2	2	-	-	-
Net income (loss) attributed to common shares	\$ (100)	\$ (308)	\$ 660	\$ 1,099	\$ (2,542)
Basis weighted average number of common shares outstanding	3,015,813	8,183,487	9,800,665	10,703,929	10,863,186
Basic earning (loss) per share	\$ (0.03)	\$ (0.04)	\$ 0.07	\$ 0.10	\$ (0.23)
Diluted weighted average number of common share	3,015,813	8,183,487	10,581,406	11,254,022	10,863,186
Diluted earnings per share	\$ (0.03)	\$ (0.04)	\$ 0.06	\$ 0.10	\$ (0.23)

20

Selected Financial Data  
(Figures in thousands)

At December 31,

-----	1997	1998	1999	2000	2001	-----
-------	------	------	------	------	------	-------

Balance Sheet Date

Cash and cash equivalent	\$ 202	\$ 2,116	\$ 2,900	\$ 4,871	\$ 2,413
Working capital	2,428	3,711	5,353	6,932	4,480
Total assets	6,139	12,197	13,534	44,723	40,665
Long-term debts	113	774	728	621	1,243
Minority interest	-	-	39	667	820
Shareholders' equity	\$ 2,718	\$ 3,782	\$ 6,016	\$ 9,497	\$ 7,341

21

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND FINANCIAL CONDITION.

Overview

-----  
The Company designs, manufactures and sells state of the art power electronics components and computer peripheral components and enclosures. In addition the Company has established a strong channel distribution system in China presently dedicated to IBM products. The Company expects to expand this distribution system throughout Asia and the Philippines Islands and the United States. The Company plans to expand its business by manufacturing, procuring and selling additional products, if it is able to secure additional financing for this planned expansion.

Critical Accounting Policies

-----

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Our consolidated financial statements have prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to use estimations and assumptions and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We based our estimations on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the result of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Our critical accounting policies are as follows:

### Rebates and Credits Receivable

CMS Technology Co. Ltd. ("CMS"), one of our subsidiaries, is an authorized distributor of IBM products in the territory including China, Vietnam, Philippines and Hong Kong. As a common practice in the computer parts distribution business, IBM periodically updates its price list for all its products and provides certain incentive programs to attract its authorized distributors to sell more of its products. As a result of changes in price list (usually decreases in prices), CMS is entitled to receive certain rebates and credits for the inventory held and sold by the Company within the specified period of time as defined by IBM through submitting the necessary applications forms. In general, once applications are approved by IBM these rebates and credits approved by IBM will be deducted from CMS's accounts payable to IBM and decrease the cost of goods sold or inventory correspondingly. However, at the end of reporting period, CMS has to estimate the relevant rebates and credit receivable based on the quantity of inventory on hand and anticipated approval for rebates and credits receivable from IBM, therefore, the actual results could differ from our estimated amount.

22

### Impairment of Long-Lived Assets

In assessing the recoverability of long-lived assets, including goodwill and other intangibles, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets not previously recorded.

### Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded. As of December 31, 2001, we have recorded a full valuation allowance of approximately \$940,000 against our deferred tax assets balance in the U.S. due to uncertainties related to our deferred tax assets as a result of our history of losses in the U.S. The valuation is based on our estimates of taxable income in the U.S. operation and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in the future periods, we may need to change the valuation allowance, which could impact our financial position and results of operations.

### Results of Continuing Operations

-----  
The following tables set forth, for the periods indicated, the percentage

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

which certain items in the consolidated statements of income bear to revenues from continuing operations, and the percentage change from period to period of these items:

	Years Ended December 31,		
	2001	2000	1999
	(dollars in thousands)		
Revenues.....	\$ 142,020	\$ 120,919	\$ 34,272
Cost of sales .....	134,703	108,834	27,962
Gross Profit.....	7,317	12,085	6,310
Percentage .....	5.2%	10%	18.4%
Operating expenses.....	10,110	9,766	5,355
Operating income (loss).	\$ (2,793)	\$ 2,319	\$ 955
Net income (loss) from continuing operations.	\$ (2,542)	\$ 1,099	\$ 660

23

### Percentage of Revenues

	Years Ended December 31,		
	2001	2000	1999
Revenues .....	100.0 %	100.0 %	100.0 %
Gross profit.....	5.2	10.0	18.4
Operating income (loss).....	(2.0)	1.9	2.8
Interest, net.....	(0.5)	(0.3)	0.2
Income tax expense .....	(0.1)	0.5	1.1
Net income (loss).....	(1.8)	1.1	1.9

### Percentage Increase (Decrease)

	Years Ended December 31,	
	2000-2001	2000-1999
Revenues .....	17.5 %	252.8 %
Gross profit.....	(39.4)	91.5
Operating income .....	(220.4)	142.6
Interest, net.....	88.9	(668.6)
Income tax expense .....	(133.0)	73.8
Net income .....	(331.3)	66.4

24

### Results of Operations for Years ended December 31, 2000 and 2001

Revenue increased 17.5% from \$120.9 million in 2000 to \$142.0 million in 2001. This was due to the increase of Distribution revenue of 35.7% from \$92.8 million in 2000 to \$125.9 million in 2001, mainly resulting from the revenue in CMS from \$68.6 million in 2000 to \$103.9 million in 2001. Manufacturing revenue decrease 42.7% from \$28.1 million in 2000 to \$16.1 million in 2001, due mainly to the

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

decline of revenue of Autec in the U.S. from \$19 million in 2000 to \$7.3 million in 2001 as result of the reduction of business activities in the tech field in the U.S. and in particular a reduction in the demand for power systems. The geographic revenue of Asia increased 46.3% from \$72.7 million in 2000 to \$106.4 million in 2001, mainly resulting from the revenue in CMS. The geographic segment of revenue in the U.S. decreased 25.6% from \$47.9 million in 2000 to \$35.7 million in 2001, due mainly to the decrease of revenue of Autec. Products and services mix in 2001 has not changed substantially in comparison to those in the prior year.

Gross Profit decreased 39.4% from \$12.1 million in 2000 to \$7.3 million in 2001 principally as a result of the increase in low margin revenue in CMS because CMS' gross profit ratio was only approximately 4%. In addition, the decline of revenue in Autec generated a huge impact on the decrease in gross profit because Autec historically generated above a gross profit ratio of above 30%, however, the gross profit in Autec in 2001 was only approximately 17%. Facing this competitive environment and declining prices, gross profit as a percentage of revenue decrease from 10% in 2000 to 5.2% in 2001. Although the gross margin in CMS was relatively low comparing to the gross margins in other subsidiaries, but revenues and profits in CMS were more predictable.

Research and Development expenses increased by approximately 71.9% from \$689,000 in 2000 compared to \$1,185,000 in 2001 due mainly to the on-going product development and enhancement of existing technologies in Autec in 2001. As a percentage of revenue the research and development expenses increase from 0.6% in 2000 to 0.8% in 2001.

Selling and Administrative expenses decreased approximately 1.7% from \$9.1 million in 2000 to \$8.9 million in 2001. As a percentage of revenue the selling and administrative expenses decreased from 7.5% in 2000 to 6.3% in 2001. The decrease in selling, general and administrative expenses was attributed mainly to the reduction of business activities in the United States.

Net Income decreased approximately 331.3% from \$1.1 million income in 2000 to a loss of \$2.5 million in 2001. The decrease in net income was attributed mainly to the severe decline in revenue and net income of Autec in 2001.

25

### Results of Operations for Years ended December 31, 1999 and 2000

-----

Revenue increased 252.8% from \$34.3 million in 1999 to \$120.9 million in 2000. This was due to an increase in both manufacturing revenue in the U.S. of 46.3% from \$19.2 million in 1999 to \$28.1 million in 2000 and distribution revenue of 516.7% from \$15 million in 1999 to \$92.8 million in 2000. The increase in manufacturing revenue was due to the increase in Autec and the increase in distribution revenue was due to inclusion of revenue of CMS in 2000. The geographic segment of revenue in the U.S. increase 51.4% from \$31.6 million in 1999 to \$47.9 million in 2000 due mainly to the increase of revenue in Bridge R&D and Newcorp Japan. The geographic segment of revenue in Asia increase 3,164% from \$2.2 million in 1999 to \$72.7 million in 2000 due mainly to the inclusion of revenue in CMS. Products and services mix in 2000 has changed substantially in comparison to those in the prior year, due mainly to the additional revenue of approximately \$68.3 million generated by CMS, which is an authorized IBM products

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

distributor in Asia.

Gross Profit increased 91.5% from \$6.3 million to \$12.1 million in 2000 principally as a result of augmented sales volume. Facing the competitive environment and declining prices, gross profit as a percentage revenue decreased from 18.4% in 1999 to 10% in 2000 due mainly to the inclusion of lower gross profit in CMS.

Research and Development expenses increased by approximately 103% from \$339,000 in 1999 compared to \$689,000 in 2000. The research and development expenses as a percentage of revenue decreased from 1% in 1999 to 0.6% in 2000. The increased in expenses in 2000 was attributed to on-going product development and enhancement of existing technologies.

Selling and Administrative expenses increased approximately 81% from \$5.0 million in 1999 to \$9.1 million in 2000. As a percentage of revenue the selling, general and administrative expenses decreased from 14.6% in 1999 to 7.5% in 2000. The selling, general and administrative expenses was attributed mainly to the expansion of business activities in Asia and the U.S.

Net Income increased approximately 66.4% from \$660,000 in 1999 to \$1.1 million in 2000. The increase in net income was attributed to both the net income generated by Autec and CMS in 2000.

26

### Capital Resources & Liquidity

-----  
In summary our cash flows were:

	2001	2000	1999
Cash provided by (used in) operating activities	(3,634,754)	(4,478,241)	686,565
Cash used in Investing activities	(1,803,619)	(4,977,712)	(667,168)
Cash provided by financing activities	2,954,329	11,408,930	791,104

Net cash provided by (used in) operating activities was approximately \$687,000, \$(4,478,000) and \$(3,635,000) for the years ended December 31, 1999, 2000 and 2001, respectively.

The decrease of approximately \$5,165,000 in cash provided by operating activities in 2000 compared to 1999 was attributable primarily to the inclusion of CMS's operating assets and liabilities mainly in trade receivable, inventory, and accounts payable because 2000 was the first year that the consolidated cash flow included CMS's operating asset and liabilities. Bridge and all other non-restricted subsidiaries together generated a positive cash flow of approximately \$219,000 provided by operating activities in 2000. See Schedule I (which is included in the consolidated financial statements) for reference.

The cash of approximately \$3,635,000 used in operating activities in 2001 was attributable primarily to the inclusion of CMS's operating assets and liabilities. The decrease of approximately \$843,000 in cash used in operating activities in 2001 compared to 2000 was a

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

result of net losses offset by changes in operating assets and liabilities. Bridge and all other non-restricted subsidiaries together used cash of approximately \$57,000 in operating activities in 2001. See Schedule I (which is included in the consolidated financial statements) for reference.

27

Net cash provided by (used in) investing activities was approximately \$(667,000), \$(4,978,000) and \$(1,804,000) for the years ended December 31, 1999, 2000 and 2001, respectively.

The cash used in investing activities in 2000 was approximately \$4,311,000 more than it had been in 1999, due mainly to using cash of approximately \$5,293,000 (net of cash acquired) to acquire 60% interest in CMS Technology Co. Ltd., a Hong Kong based authorized IBM products distributor. The repayment from related party contributed a positive cash flow of approximately \$450,000 and the additions to fixed asset was decrease by approximately \$286,000 in 2000. Bridge and all other non-restricted subsidiaries together used cash of approximately \$6,064,000 in investing activities in 2001, of which \$6,000,000 was used to acquire 60% interest in CMS. See Schedule I (which is included in the consolidated financial statements) for referenCE.

The cash used in investing activities in 2001 was \$3,174,000 less than it had been in 2000, primarily due to acquisition of CMS which occurred during 2000 partially offset by the investment of approximately \$2,342,000 in fixed assets located in Bridge Ningbo, a wholly owned subsidiary located in China. Bridge and all other non-restricted subsidiaries together used cash of approximately \$1,772,000 (net of proceeds of \$910,000 from sales of an investment and a note receivable of approximately \$340,000 from Newcorp Japan) in investing activities in 2001, of which \$2,342,000 was used to invest in fixed assets in Bridge Ningbo. See Schedule I (which is included in the consolidated financial statements) for reference.

Net cash provided by (used in) financing activities was approximately \$791,000, \$11,409,000 and \$2,954,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

The net cash provided by financing activities in 1999 related mainly to proceeds from the sale of the Company's common stock with a net payment of approximately \$372,000 for loans payable in the U.S.

In 2000, the Company reported the proceeds of approximately \$5,761,000 from a line of credit and the commitment of approximately \$4,242,000 in capital infusion by CMS's original shareholders. Bridge and all other non-restricted subsidiary generated a positive cash flow of approximately \$6,756,000 in 2000, including \$4,000,000 in a line of credit and \$2,800,000 in shareholder loans. See Schedule I (which is included in the consolidated financial statements) for reference.

28

The net cash provided from financing activities in 2001 was primarily a combined result of proceeds of \$3,000,000 from a line of credit in CMS and a \$1,000,000 loan from a related party in the U.S. partially offset by repayment of approximately \$402,000 for loans payable and repayment of \$700,000 for shareholder loans. Bridge and all other non-restricted subsidiary used cash of approximately \$82,000 in financing activities in 2001. See Schedule I (which is included

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

in the consolidated financial statements) for reference.

Management believes that the Company does have the economic wherewithal to maintain its operations for the foreseeable future. In July, 2002 the Company entered into a loan modification and extension agreement with a commercial bank for its outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 is due by September 15, 2002 and no less than \$1,000,000 is due on November 30, 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. However, if the Company makes all of the foregoing payments on a timely basis and has not otherwise defaulted on the loan, the maturity date for the remaining unpaid principal balance will be extended until June 30, 2003. In addition, management is negotiating with the Company's major shareholders to convert a portion of the Company's indebtedness to them into equity in order to improve the Company's working capital position. Operationally, management's plans include continuing actions to cut or curb non-essential expenses and focusing on improving the sales of Autec. No assurance can be given that the Company will be successful in extending or modifying its line of credit beyond June 30, 2003 or that the Company will be able to return to profitable operations. Looking for alternatives, the Company is currently seeking global financing agreement with a major international bank to replace existing credit lines in U.S. and Hong Kong. No assurance can be given that the alternative funding source will be available.

29

### Analysis and Satisfaction of Contractual Obligations

-----  
As of December 31, 2001, the Company has the following contractual obligations

Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Note payable to IBM	5,000,000	5,000,000	-	-	-
Note payable to General Bank	4,000,000	4,000,000	-	-	-
Shareholder loans	2,130,000	2,130,000	-	-	-
Related party loans	989,979	75,118	165,042	186,957	562,862
Long-term bank loans	375,201	46,901	99,613	107,894	120,793
Operating lease	8,346,681	660,332	1,367,320	1,270,378	5,048,651
<b>Total contractual cash obligations</b>	<b>20,841,861</b>	<b>11,912,351</b>	<b>1,631,975</b>	<b>1,565,229</b>	<b>5,732,306</b>

30

### Effects of Fluctuation in Foreign Exchange Rates

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

The Company continues to buy products and services from foreign suppliers. The Company contracts for such products and services in U.S. dollars, thus eliminating the possible effect of currency fluctuations. However, there is continuous risk in market demand fluctuations with CMS Technology's operations in China. To date the risk has been minimal.

### Fluctuation in Quarterly Results

---

Quarterly results may be adversely affected in the future by a variety of factors, including the possible costs of obtaining capital, as well as the initial costs associated with the release of new products and promotions taking place within the quarter. The Company plans to continue to fund research and development and its expanded patent, copyright and proprietary product work with cash generated from internal operations. To the extent that such expenses precede, or are not subsequently followed by, increased revenues, the Company's business, operating results and financial condition will be adversely affected.

Bridge Technology, Inc.  
Selected Quarterly Financial Data  
1999, 2000 and 2001  
(in thousands)

	Quarter 1	Quarter 2	Quarter3	Quarter 4	Total
<hr/>					
1999					
Revenue, net	\$ 9,588	\$ 7,184	\$ 9,074	\$ 8,426	\$ 34,272
Gross profit	1,477	1,439	1,389	2,005	6,311
Net income (loss)	217	190	148	106	661
Basic earnings per share	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.06
Diluted earnings per share	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.06
2000					
Revenue, net	\$21,751	\$25,504	\$28,339	\$45,325	\$120,919
Gross profit	1,903	3,199	2,316	4,667	12,085
Net income (loss)	(64)	601	132	430	1,099
Basic earnings per share	\$ (0.01)	\$ 0.06	\$ 0.01	\$ 0.04	\$ 0.10
Diluted earnings per share	\$ -	\$ 0.05	\$ 0.01	\$ 0.04	\$ 0.10
2001					
Revenue, net	\$27,790	\$34,616	\$47,254	\$32,360	\$142,020
Gross profit	2,620	1,616	2,417	665	7,318
Net income (loss)	90	(1,280)	(797)	(555)	(2,542)
Basic earnings per share	\$ 0.01	\$ (0.12)	\$ (0.07)	\$ (0.05)	\$ (0.23)
Diluted earnings per share	\$ 0.01	\$ -	\$ -	\$ -	\$ -

31

New Accounting Standards Not Yet Adopted

---



## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, "Business Combinations" ("SFAS No. 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142")

SFAS No. 141 requires the use of the purchase method of accounting and profits and the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142, companies to reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141. The Company does not expect that the adoption of SFAS No. 141 will have a material impact on its consolidated financial statements.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purpose of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2002 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 requires companies to reassess the useful of other intangible assets within the first interim quarter after adoption of SFAS No. 142. The Company does not expect that the adoption of SFAS No. 142 will have a material effect on the consolidated financial statements.

In June 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143"). FAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires that any legal obligation related to the retirement of long-lived assets be quantified and recorded as a liability with the associated asset retirement cost capitalized on the balance sheet in the period it is incurred when a reasonable estimate of the fair value of the liability can be made.

In August 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 provides a single, comprehensive accounting model for impairment and disposal of long-lived assets and discontinued operations.

The Company expects that SFAS No. 143 and SFAS No. 144 will be adopted on their effective dates and that the adoption will not result in any material effects on its financial statements.

32

### Item 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

Bridge Technology, Inc. develops and procures products in the United States, Japan and Hong Kong, and the Company sells products primarily in North America, Asia and Europe. As a result, financial results could be affected by factors

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Since our Company's products are generally initially priced in U.S. Dollars and translated to local currency amounts, a strengthening of the dollar could make our Company's products less competitive in foreign markets.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Bridge Technology, Inc. and Subsidiaries  
Consolidated Financial Statements  
For the Years Ended December 31, 1999, 2000 and 2001

Bridge Technology, Inc. and Subsidiaries  
Index to Consolidated Financial Statements

Independent Auditors' Report	F-2
Consolidated Financial Statements	
Balance Sheets	F-3
Statements of Operations and Comprehensive Income (Loss)	F-4
Statements of Shareholders' Equity	F-5
Statements of Cash Flows	F-6
Summary of Accounting Policies	F-9
Notes to Financial Statements	F-15
Schedule I - Condensed Financial Statements	
Condensed Balance Sheets	F-29
Condensed Statements of Operations and Comprehensive Income (Loss)	F-30
Condensed Statements of Cash Flows	F-31
Schedule II - Valuation and Qualifying Accounts	F-32

Independent Auditors' Report

33

The Shareholders of  
Bridge Technology, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Bridge Technology, Inc. and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. We have also audited the schedules listed in the accompanying index. These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules 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

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

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 presentation of the financial statements. 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 Bridge Technology, Inc. and subsidiaries as of December 31, 2000 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedules present fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP  
 Los Angeles, California  
 March 22, 2002, except for Notes 4 and 7  
 as to which the date is July 24, 2002

F-2

34

Assets (Note 4)

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS December 31,

	2000	2001
	-----	-----
Current assets:		
Cash	\$ 4,870,836	\$ 2,413,295
Accounts receivable less allowance for doubtful accounts of \$465,656 and \$308,106 (Note 11)	17,666,626	11,035,057
Tax refund receivable (Note 3)	-	500,000
Other receivables	1,100,115	76,296
Inventory (Note 1)	16,991,615	21,692,543
Due from related party (Note 8)	21,932	22,143
Other current assets	219,192	-
	-----	-----
Total current assets	40,870,316	35,739,334
Property and equipment, net (Note 2)	716,384	2,681,018
Goodwill, net of amortization of \$598,210 and \$1,242,917 (Note 6)	2,586,324	1,949,417
Purchased intangibles (Note 9)	190,000	-
Deferred income tax (Note 3)	63,201	-
Investments	229,862	198,717
Other assets	66,834	96,213
	-----	-----
Total assets	\$ 44,722,921	\$ 40,664,699
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	\$ -	\$ 36,152

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Notes payable (Note 4)	6,000,000	9,000,000
Current portion of long term debt (Note 5)	155,980	46,901
Accounts payable, net of accrued rebates and credits of \$698,470 and \$0	23,180,434	18,019,422
Accrued taxes payable	537,401	6,400
Deferred income tax (Note 3)	26,425	4,097
Accrued liabilities	1,148,870	1,941,560
Shareholder loan (Note 8)	2,888,919	2,130,000
Current portion of loans due to related party (Note 8)	-	75,118
Total current liabilities	33,938,029	31,259,690
Related party loan, less current portion (Note 8)	-	914,861
Long term debt, less current portion (Note 5)	621,023	328,300
Total liabilities	34,559,052	32,502,851
Minority interest	667,224	820,378
Commitments and Contingencies (Note 7)		
Shareholders' equity (Notes 9 and 10):		
Common stock; par value \$0.01 per share, authorized 100,000,000 shares, 10,863,186 shares issued and 10,863,186 and 10,798,186 shares outstanding	108,632	108,632
Additional paid-in capital	9,308,139	9,783,013
Related party receivable (Note 8)	(225,000)	(340,000)
Treasury stock, 1,000 shares and 66,000 shares at cost (Note 8)	(2,000)	(2,000)
Retained earnings (accumulated deficit)	354,745	(2,187,679)
Accumulated other comprehensive loss	(47,871)	(20,496)
Total shareholders' equity	9,496,645	7,341,470
Total liabilities and shareholders' equity	\$ 44,722,921	\$ 40,664,699

See accompanying summary of accounting policies and notes to consolidated financial statements.

F-3

35

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	1999	2000	2001
Net sales (Note 11)	\$ 34,272,187	\$120,918,774	\$ 142,020,299
Cost of sales	27,961,504	108,833,687	134,702,750
Gross profit	6,310,683	12,085,087	7,317,549
Research and development expenses	339,380	689,056	1,184,687

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Selling, general and administrative expenses	5,015,522	9,077,087	8,924,512
	-----	-----	-----
Income (loss) from operations	955,781	2,318,944	(2,791,650)
Other income (expense):			
Interest, net	68,724	(390,757)	(738,183)
Other	(11,949)	35,958	316,824
Gain on sale of investments (Note 8)	-	-	879,035
Provision for note receivable from a related party (Note 8)	-	-	(262,550)
	-----	-----	-----
Income (loss) before income taxes	1,012,556	1,964,145	(2,596,524)
Income taxes (benefit) (Note 3)	363,283	631,557	(208,126)
	-----	-----	-----
Net income (loss)	649,273	1,332,588	(2,388,398)
Minority interest in net loss (income) of subsidiaries	11,448	(233,428)	(154,026)
	-----	-----	-----
Net income (loss) applicable to common shares	\$ 660,721	\$ 1,099,160	\$ (2,542,424)
	=====	=====	=====
Basic weighted average number of common stock outstanding	9,800,665	10,703,929	10,863,186
	=====	=====	=====
Basic income (loss) per share	\$ 0.07	\$ 0.10	\$ (0.23)
	=====	=====	=====
Diluted weighted average number of common stock outstanding	10,581,406	11,254,022	10,863,186
	=====	=====	=====
Diluted income (loss) per share	\$ 0.06	\$ 0.10	\$ (0.23)
	=====	=====	=====
Comprehensive income (loss) and its components consist of the following:			
Net income (loss)	\$ 660,721	\$ 1,099,160	\$ (2,542,424)
Foreign currency translation adjustments	(26,197)	16,338	27,375
	-----	-----	-----
Comprehensive income (loss)	\$ 634,524	\$ 1,115,498	\$ (2,515,049)
	=====	=====	=====

See accompanying summary of accounting policies and notes to consolidated financial statements.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

	COMMON STOCK		ADDITIONAL	ACCUMULATED	STOCK SUB-	TEASURY	ACCUMULA
	SHARES	AMOUNT	PAID-IN	DEFICIT	SCRIPTION	STOCK	OTHER CO
			CAPITAL		SHAREHOLDER		PREHENSIVE
					RECEIVABLE		LOSS
BALANCE, January 1, 1999	8,897,186	\$ 88,972	\$ 5,110,968	\$ (1,405,136)	\$ 25,000	\$ -	\$ (38,000)
Stock issued for stock subscribed in prior year	50,000	500	24,500	-	(25,000)	-	-
Forgiveness of loan payable to shareholder in PTI	-	-	100,000	-	-	-	-
Warrants exercised	75,000	750	74,250	-	-	-	-
Stock repurchase							
Autec	-	-	-	-	-	(2,000)	-
Issuance of common stock	600,000	6,000	444,000	-	-	-	-
Issuance of common stock	700,000	7,000	693,000	-	-	-	-
Issuance of common stock	120,000	1,200	238,800	-	-	-	-
Non-employee compensation due							
warrants issued	-	-	34,500	-	-	-	-
Warrants issued for public relationship service	-	-	1,834	-	-	-	-
Notes receivable from shareholder	-	-	-	-	(250,000)	-	-
Net Income	-	-	-	660,721	-	-	-
Translation adjustment	-	-	-	-	-	-	(26,000)
<b>Balance, December 31, 1999</b>	<b>10,442,186</b>	<b>104,422</b>	<b>6,721,852</b>	<b>(744,415)</b>	<b>(250,000)</b>	<b>(2,000)</b>	<b>(64,000)</b>
					35		
Warrants issued for public relationship service	-	-	3,666	-	-	-	-
Warrants exercised	10,000	100	34,900	-	-	-	-
Warrants exercised	1,000	10	1,740	-	-	-	-
Issuance of common stock	40,000	400	189,600	-	-	-	-
Issuance of common stock (Note 6)	360,000	3,600	2,336,400	-	-	-	-
Warrants exercised	10,000	100	17,400	-	-	-	-
Non-employee compensation due to warrants issued	-	-	2,581	-	-	-	-
Repayments of shareholder notes receivable	-	-	-	-	25,000	-	-
Net income	-	-	-	1,099,160	-	-	-
Translation adjustment	-	-	-	-	-	-	16,000
<b>Balance, December 31,</b>							

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

2000	10,863,186	108,632	9,308,139	354,745	(225,000)	(2,000)	(47,
Disposal of invest-							
ment in Newcorp							
Japan (Note 8)	-	-	381,284	-	-	-	
Forgiveness of							
officers'							
compensation	-	-	93,590	-	-	-	
Provision for note							
receivable	-	-	-	-	225,000	-	
Note receivable from							
Newcorp Japan (Note 8)	-	-	-	-	(340,000)	-	
Net loss	-	-	-	(2,542,424)	-	-	
Translation adjustment	-	-	-	-	-	-	27,
-----							
Balance, December 31,							
2001	10,863,186	\$ 108,632	\$ 9,783,013	\$ (2,187,679)	\$ (340,000	\$ (2,000)	\$ (20,
	=====	=====	=====	=====	=====	=====	=====

F-5

37

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Years ended December 31,		
	1999	2000	2001
	-----	-----	-----
Cash flows from operating activities			
Net income (loss)	\$ 660,721	\$1,099,160	\$ (2,542,424)
Adjustments to reconcile net income			
(loss) to net cash provided by			
(used in) operating activities:			
Depreciation and amortization	162,825	857,904	1,045,861
Allowance for doubtful accounts	6,413	382,693	106,584
Inventory reserves	(40,764)	451,403	180,270
(Gain)/loss on disposal of fixed			
assets	-	(1,016)	-
Gain on sale of investment	-	-	(879,035)
Provision for related party note			
Receivable	-	-	262,550
Write-off of intangible	-	50,000	190,000
Stock issued in exchange for services	36,334	6,247	-
Tax refund receivable	-	-	(500,000)
Forgiveness of officers' compensation	-	-	93,590
Deferred taxes	-	(69,026)	40,713
Minority interest	38,522	233,428	154,026
Changes in operating assets and			
liabilities, net of business			
acquired			
Trade receivables	91,794	(7,961,928)	6,524,985
Inventory	(179,371)	(3,311,272)	(4,881,198)
Other receivables	52,240	(994,370)	986,269
Other assets	328,691	(109,830)	189,813

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Accounts payable	(129,265)	4,668,423	(4,779,728)
Accrued liabilities	(571,434)	(9,654)	703,772
Income taxes payable	229,859	229,597	(530,802)
	-----	-----	-----
Net cash provided by (used in) operating activities	686,565	(4,478,241)	(3,634,754)
	-----	-----	-----
Cash flows from investing activities			
Proceeds from sale of investment	-	-	910,180
Purchase of property, plant and equipment	(421,866)	(135,620)	(2,373,588)
Purchased Intangibles	(200,000)	-	-
Proceeds from disposal of fixed assets	-	34,891	-
Due from related party	(5,304)	6,175	(340,211)
Investment in affiliate	(39,998)	(39,866)	-
Acquisition of CMS, net of cash acquired	-	(5,293,164)	-
Repayment from (advance to) shareholder	-	449,872	-
	-----	-----	-----
Net cash used in investing activities	(667,168)	(4,977,712)	(1,803,619)
	-----	-----	-----

F-6

38

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Years ended December 31,		
	1999	2000	2001
	-----	-----	-----
Cash flows from financing activities			
Bank overdraft	-	-	36,152
Proceeds from loans payable	102,768	130,680	-
Repayments on loans payable	(474,664)	(81,320)	(401,802)
Proceeds from issuance of common stock	1,390,000	-	-
Proceeds from related party loan (Note 8)	-	-	1,000,000
Repayment on related party loan (Note 8)	-	-	(10,021)
Proceeds from line of credit	-	5,761,322	3,000,000
Proceeds from shareholder loans (Note 8)	-	16,691,766	30,000
Repayments on shareholder loans (Note 8)	-	(15,489,413)	(700,000)
Related party receivable (Note 8)	(250,000)	25,000	-
Proceeds from exercise of warrants	-	54,250	-
Stock subscription collected	25,000	75,000	-
Stock subscription collected in CMS	-	4,241,645	-
Stock repurchase	(2,000)	-	-
	-----	-----	-----
Net cash provided by financing activities	791,104	11,408,930	2,954,329
	-----	-----	-----
Effect of exchange rate changes on cash	(26,199)	17,830	26,503
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	784,302	1,970,807	(2,457,541)



Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Cash and cash equivalents, beginning of year	2,115,727	2,900,029	4,870,836
	-----	-----	-----
Cash and cash equivalents, end of year	\$2,900,029	\$4,870,836	\$2,413,295
	=====	=====	=====
Cash paid during the year for:			
Interest	\$ 44,216	\$ 393,303	\$ 841,863
Income taxes	51,376	401,960	822,849
	-----	-----	-----

F-7

39

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Supplemental disclosure of non-cash activities:  
-----

In 1999, the Company cancelled a note of \$100,000 payable to a shareholder in accordance with the terms contained in the promissory note. The term states that if the Company became a public reporting company before December 1, 2000, the shareholder would forgive this note of \$100,000 payable to him. Accordingly, the Company recognized the forgiveness of note of \$100,000 payable to the shareholder as a part of additional paid in capital.

In October 1999, the Company granted 310,000 stock warrants to key employees, officers and directors. Accordingly, a non-employee director compensation cost of \$34,500 was recognized and included in general and administrative expenses for 1999.

In May 2000, the Company acquired five patents, including design and tooling from an unrelated entity for \$190,000, in exchange for 40,000 shares of common stock at market price of \$4.75 per share.

In May 2000, the Company exercised an option to acquire the remaining 30% interest in CMS Technology Limited (CMS) in exchange for 360,000 shares of the Company's common stock at a market price of \$6.50 per share.

In December 2001, the Company sold 85% of its equity interest in Newcorp Technology Ltd., Japan for 65,000 shares of the Company's common stock (Note 8).

See accompanying summary of accounting policies and notes to consolidated financial statements.

F-8

40

BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Liquidity

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Bridge Technology, Inc. (the Company) was incorporated under the laws of the State of Nevada on April 15, 1969. Starting from April 1997, the Company registered to do business in the State of California and is primarily engaged in development and distribution of various hardware, software, and peripheral products used in computer systems and sales to value added resellers and system integrators.

As of December 31, 2001, the Company has the following subsidiaries:

	Ownership	
-----		
Bridge R&D, Inc.	100%	Established on June 1, 1997
Newcorp Technology Limited (in Japan)	100%	Merged on November 1, 1997
	15%	85% disposed in 2001
PTI Enclosures, Inc.	100%	Merged on December 14, 1998
Newcorp Technologies, Inc. (USA)	100%	Established on March 23, 1999, inactive
Pacific Bridge Net, Inc.	80%	Established on August 16, 1999 and ceased operation in 2000
Autec Power System, Inc.	100%	Merged on December 1, 1999
CMS Technology Ltd.	90%	Acquired on January 3, 2000 (60%) Acquired on May 15, 2000 (30%)
Bridge Technology Ningbo Co., Ltd.	100%	Established on May 28, 2001

On August 16, 1999, the Company formed a subsidiary, Pacific Bridge Net, Inc. ("PBN") incorporated in the State of Nevada with a strategic alliance partner, Worldwide Wireless Networks, Inc. ("WWWN"). The initial capital of \$250,000 was contributed 80% by the Company and 20% by WWWN. PBN acquired know how and technology from WWWN for \$50,000, including specifications to design, patent and manufacture certain wireless infrastructure equipment. During the last quarter of 2000, WWWN was unable to deliver the technology and in February 2001, the strategic relationship with WWWN was terminated by a mutual agreement.

During 2000, the Company acquired 90% equity interest in CMS Technology Limited (CMS), a company incorporated under the laws of the Hong Kong Special Administrative Region, through two transactions which were accounted for under the purchase method of accounting. (Note 6)

On May 28, 2001, the Company established a wholly owned subsidiary, Bridge Technology Ningbo Co. Ltd. ("Ningbo"), in the City of Ningbo, Zhejiang Province of China. The Ningbo facility is used to conduct assembly work for power supplies which will be sold to customers in the U.S. and other countries in Asia. As of December 31, 2001, the Company had invested approximately \$2.18 million in Ningbo.

During the year ended December 31, 2001, the Company incurred a net loss of \$2542,000 and used cash of \$3,635,000 in its operations. Management has undertaken certain actions in an attempt to improve the Company's liquidity and return the Company to profitability. On July 24, 2002, the Company entered into a loan modification and extension agreement with a commercial bank for its outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 is due by September 15, 2002 and no less than \$1,000,000 is due on November 30, 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. However, if the Company makes all of the foregoing payments on a timely basis and has not otherwise defaulted on the loan, the maturity date for the remaining unpaid principal

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

balance will be extended until June 30, 2003. In addition, management is negotiating with the Company's major shareholders to convert a portion of the Company's indebtedness to them into equity in order to improve the Company's working capital position.

Operationally, management's plans include continuing actions to cut or curb non-essential expenses and focusing on improving the sales of Autec. No assurance can be given that the Company will be successful in extending or modifying its line of credit beyond June 30, 2003 or that the Company will be able to return to profitable operations.

Looking for alternatives, the Company is currently seeking global financing agreement with a major international bank to replace existing credit lines in U.S. and Hong Kong. No assurance can be given that the alternative funding source will be available.

41

### Basis of Accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements are presented in U.S. dollars.

### Revenue Recognition

The Company recognizes revenue when the risk of loss for the product sold passes to the customer and any right of return can be quantified, which is generally when goods are shipped.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

F-9

42

### Accounts Receivable and Concentration of Credit Risk

During the normal course of business, the Company extends unsecured credit to its customers who are located in various geographical areas. Typically credit terms require payment made within 30 days of the sale. The Company regularly evaluates and monitors the creditworthiness of each customer on a case by case basis. The Company provides an allowance for doubtful accounts based on its continuing evaluation of its customers' credit risk. The Company does not require collateral from its customers. The Company maintains its cash accounts at credit worthy financial institutions.

### Inventories

Inventories consist principally of microcomputer component parts and are stated at the lower of cost (first-in, first-out) or market.

### Foreign Currency Translation and Transactions

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

The financial position and results of operations of the Company's foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of the subsidiaries are translated at the prevailing exchange rate in effect at each year end. Contributed capital accounts are translated using the historical rate of exchange when capital is injected. Income statement accounts are translated at the average rate of exchange during the year. Translation adjustments arising from the use of different exchange rates from period to period are included in the cumulative translation adjustment account in shareholders' equity. Gains and losses resulting from foreign currency transactions are included in operations.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are computed primarily utilizing the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life (in Years)
	-----
Computer equipment	4-5
Furniture, fixtures and equipment	4-7
Vehicles	5-6
Leasehold improvements	4-20

Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and betterments to property and equipment are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts and any resulting gain or loss is included in statement of operations.

### Impairment of Long-lived Assets

Statement of the Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for the Long-Lived Assets to be Disposed Of" (SFAS No. 121) establishes guidelines regarding when impairment losses on long-lived assets, which include plant and equipment, and certain identifiable intangible assets, should be recognized and how impairment losses should be measured. The Company reviews such assets for possible impairment whenever circumstances indicate that the carrying amount may not be recoverable. To the extent the carrying value of the asset exceeds its fair value, which is determined using discounted cash flows, a write down to fair value is made.

F-10

43

### Rebates and Credits Receivable

As a common practice in the computer parts distribution business, CMS's major vendor periodically updates its price list for all of its products and provides certain incentive programs to attract its authorized distributors to sell more of its products. As a result of changes in price list (usually decreases in prices), CMS is entitled to receive certain rebates and credits for the inventory held and sold by the Company within the specified period of time as defined by its vendor through submitting the necessary application forms. In general, once the vendor approves these applications the amounts of these rebates and credits will

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

be deducted from CMS's accounts payable to its vendor and decrease the cost of goods sold or inventory correspondingly.

### Investments

The Company has made investments in equity securities of other entities (which are privately held companies) in various industries for which its investment in these companies represents less than 20% of the voting stock of the investee and for which the Company does not otherwise exert significant influence. Because these investments do not have readily determinable fair values, they are recorded at cost and periodically reviewed for impairment. During 2001, the Company realized a gain of approximately \$879,000 from a partial sale of one of its investment that had a carrying value of approximately \$31,000.

### Research and Development Expense

Research and development expenses are expensed when incurred. The Company incurred research and development expense of \$339,380, \$689,056 and \$1,184,687 in 1999, 2000 and 2001.

### Fair Value of Financial Instruments

The carrying amount of cash, trade accounts receivable, notes receivable, trade accounts payable and accrued liabilities are reasonable estimates of their fair value because of the short maturity of these items. The carrying amounts of the Company's lines of credit and notes payable approximate fair value because the interest rates on these instruments are subject to change with market interest rate.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Among the more significant estimates included in these financial statements are the estimated accounts receivable allowance for doubtful accounts, reserve for obsolete inventory, and the deferred income tax asset allowance. Actual results could differ materially from those estimates.

### Income Taxes

The Company accounts for income taxes using the liability method, which requires an entity to recognize deferred tax liabilities and assets. Deferred income taxes are recognized based on the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements which will result in taxable or deductible amounts in future years. Further, the effects of enacted tax laws or rate changes are included as part of deferred tax expenses or benefits in the period that covers the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized.

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

### Earnings (Loss) Per Share

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). The statement replaces the calculation of primary and fully diluted earnings (loss) per share with basic and diluted earnings (loss) per share. Basic earnings (loss) per share includes no dilution and is computed by dividing income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted earnings (loss) per share.

The following table sets forth the computation of basic and diluted earnings per share:

Year ended December 31	1999	2000	2001
Net income (loss) applicable to common shares	660,721	1,099,160	(2,542,424)
Basic weighted average number of common shares outstanding	9,800,665	10,703,929	10,863,186
Stock options and warrants	780,741	550,093	---
Diluted weighted average number of common shares outstanding	10,581,406	11,254,022	10,863,186
Basic earnings (loss) per share	\$0.07	\$0.10	(\$0.23)
Diluted earnings (loss) per share	\$0.06	\$0.10	(\$0.23)

Stock options and warrants to purchase 1,729,000 shares of common stock were outstanding during 2001, but were not included in the computation of diluted earnings per share because their effect would be antidilutive.

### Stock-based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), establishes a fair value method of accounting for stock-based compensation plans and for transactions in which a company acquires goods or services from employees and non-employees in exchange for equity instruments. SFAS No. 123 also gives the option, for employees only, to account for stock-based compensation, utilizing the intrinsic method, in accordance with Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock issued to Employees". The Company has chosen to account for stock-based compensation for employees utilizing the intrinsic value method prescribed in APB No. 25 and not the fair value method established by SFAS No. 123.

As required by SFAS No. 123, the Company has disclosed in Note 10 the pro forma effect of stock-based employee compensation at the grant date based on the fair value method. The fair value of the stock-based award is determined using a pricing model at grant date or other measurement date.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Statement of Financial Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts either to hedge existing risks or for speculative purposes. Accordingly, the adoption of the new standard on January 1, 2001 did not have a material affect on the financial statements.

F-12

45

### New Accounting Standards Not Adopted Yet

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, "Business Combinations" ("SFAS No. 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142, companies to reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141. The Company does not expect that the adoption of SFAS No. 141 will have a material impact on its consolidated financial statements.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 requires companies to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS No. 142.

The Company's previous business combinations were accounted for using both the pooling-of-interests and purchase methods. The pooling-of-interests method does not result in the recognition of acquired goodwill or other intangible assets. As a result, the adoption of SFAS 141 and 142 will not affect the results of past transactions accounted for under the pooling-of-interests method. However, all future business combinations will be accounted for the purchase method, which may result in the recognition of goodwill and other intangible assets, some of which will be recognized through operations, either by amortization or impairment charges, in the

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

future. For purchase business combinations completed prior to December 31, 2001, the net carrying amount of goodwill is \$1,949,417. Amortization expense of goodwill for the years ended December 31, 2000 and 2001 was \$598,210 and \$636,907 respectively. Currently, the Company is assessing but has not yet determined how the adoption of SFAS 141 and SFAS 142 will impact its financial position and results of operations.

In June 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143"). FAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires that any legal obligation related to the retirement of long-lived assets be quantified and recorded as a liability with the associated asset retirement cost capitalized on the balance sheet in the period it is incurred when a reasonable estimate of the fair value of the liability can be made.

F-13

46

In August 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 provides a single, comprehensive accounting model for impairment and disposal of long-lived assets and discontinued operations.

The Company expects that SFAS No. 143 and SFAS No. 144 will be adopted on their effective dates and that the adoption will not result in any material effects on its financial statements.

### Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform with the 2001 presentation.

F-14

47

### Notes to Consolidated Financial Statements

#### Note 1. Inventory

Inventory consists of:

	December 31,	
	2000	2001
Service parts	\$ 1,505,715	\$ 1,633,919
Work in progress	558,406	329,730
Finished goods	15,546,998	20,528,669
Reserve for obsolete inventory	(619,504)	(799,775)
	\$ 16,991,615	\$ 21,692,543



Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-K/A

Note 2. Property, Plant and Equipment

Property, plant and equipment consists of:

	December 31,	
	2000	2001
Furniture, fixtures and equipment	\$ 730,967	\$ 3,239,717
Vehicles	100,748	35,053
Computer equipment	179,961	18,421
Leasehold improvements	567,700	569,421
	1,579,376	3,862,612
Accumulated depreciation and amortization	(862,992)	(1,181,594)
Property, plant and equipment, net	\$ 716,384	\$ 2,681,018

48

Note 3. Income Taxes

Income (loss) before income taxes consists of following:

	Years ended December 31,		
	1999	2000	2001
United States	\$ 1,008,125	\$ 363,198	\$ (3,375,563)
China	-	-	(859,981)
Japan	4,431	12,948	(186,388)
Hong Kong	-	1,587,999	1,825,408
Total current	1,012,556	1,964,145	(2,596,524)

The income tax provision (benefit) is as follows:

	Years ended December 31,		
	1999	2000	2001
Current			
Domestic			
Federal	\$ 362,671	\$ 294,677	\$ (500,000)
State	-	103,889	6,400
Foreign			
Japan	612	592	469
Hong Kong	-	308,974	307,298
Total current	363,283	708,132	(185,833)
Deferred			
Domestic			
Federal	-	-	-
State	-	-	-
Foreign			
Japan	-	-	-
Hong Kong	-	(76,575)	(22,293)

Total deferred

-----