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BRIDGE TECHNOLOGY INC  
Form 10KSB/A  
May 14, 2001

DATED: May 14, 2001

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

FORM 10-KSB  
Amendment #1

(Mark One)

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

For the fiscal year ended December 31, 2000  
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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  
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BRIDGE TECHNOLOGY, INC.

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

NEVADA

59-3065437

-----  
(State or other Jurisdiction of  
Incorporation or organization)

(IRS Employer  
Identification No.)

12601 Monarch Street, Garden Grove, CALIFORNIA

92841

-----  
(Address of principal executive offices)

(Zip code)

Issuer's telephone number: (714) 891-6508  
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Issuer's facsimile number: (714) 890-8590  
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Securities to be registered pursuant to Section 12(b) of the Act: None  
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Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock  
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(Title of Class)

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. \$120,918,774 -----

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, 2000 \$21,726,372 -----

(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, 2000 -----

DOCUMENTS INCORORATED BY REFERENCE

Registrant's Form 10-SB and subsequent amendments 1 and 2 which were initially filed in August 1998 with the Securities and Exchange Commission in connection with the Registrant's Registration Statement is incorporated by reference into Part I, II and III of this report as well as certain exhibits filed with the Registrant's Registration Statement. In addition Form 10KSB for the years ended 12/31/98, filed 3/31/99 and 12/31/99, filed 3/31/00 with the Securities and Exchange Commission is also incorporated by reference into Part I, II and III of this report as well as certain exhibits filed with the Form 10KSB.

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### ITEM 1. BUSINESS.

Our Company's vision is to develop state-of-the-art components for digital data storage and communication. Our Company uses these components to design leading edge products for data, voice, multimedia, Internet and broadband wireless communications industries. To capitalize on the potential of these designs, our Company develops, buys, assembles, manufactures, tests, packages, markets and sells a broad family of custom made products. Our Company established operating divisions and subsidiaries under several separate business names, while each of them is focused on specific products, ultimately these products are marketed through our Company's international channel and distribution networks.

Through in-house development, joint ventures, licensing, and acquisition of leading edge technologies and companies, our Company is deploying new and existing leading edge technologies. Our Company design teams are continuously creating innovative products demanded by computer and communications equipment

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Original Equipment Manufacturers (OEMs), Value-Added Resellers (VARs) and system integrators, and ultimately by the end users. Our Company sells these products directly to OEMs and systems integrators as well as through selected major distributors and manufacturer's representatives. Our Company currently employs 356 full time employees, including senior management, manufacturing personnel and 25 administrative personnel.

Currently our Company has the following active subsidiaries: Autec Power Systems, Inc., PTI Enclosures, Inc., Newcorp Technology Ltd. (Japan), Bridge R&D, Inc., CMS Technology Ltd. (Hong Kong), and Pacific Bridge Net.

Our Company is organized along four primary groups:

- I) CORE COMPETENCY GROUP: AUTEK (USA), PTI (USA)
- II) HIGH TECHNOLOGY GROUP: Newcorp Technology Ltd. (Japan), Bridge R&D (USA)
- III) CHANNEL GROUP USA (under Bridge R&D USA): DataStor Division (National Distribution), Classic Trading Inc. (Value Added Resellers and Systems Integrator sales) and Newcorp Technology, Inc. (USA) (e-commerce).
- IV) CHANNEL GROUP ASIA: CMS Technology Ltd. Hong Kong (Asia Distribution)

Our Company is essentially vertically integrated and horizontally operational.

### I. CORE COMPETENCY GROUP:

Autec Power Systems Inc.

-----  
Autec designs, develops, engineers and produces high quality power supplies for a diversified list of clientele. Autec markets power supplies to the principal manufacturers of gaming devices. Mr. Winston Gu, Chairman and CEO of our Company, manages our research & development and manufacturing operations in Simi Valley, California.

Autec also sells power cells and battery packs to private label customers and OEMs. With the continued proliferation of portable devices, wireless devices, wireless remote controllers, and other wireless appliances, the market demand for quality batteries will grow at an increasingly rapid pace. Strategically, our subsidiary, Newcorp Technology Limited (Japan), is in the process of acquiring licenses for certain specific battery and intelligent charging IC circuit technologies, which our Company plans to market internationally to obtain patent protection for our Company.

In addition our Company's new battery techniques utilize Newcorp Technology Limited (Japan)'s developing technologies. However, there can be no assurance that our Company's battery business unit will be successful in such efforts.

PTI Enclosures, Inc. (PTI)

-----  
Our Company's subsidiary, PTI Enclosures, Inc. (PTI), is focused on designing, developing, manufacturing, testing, and selling custom-designed enclosures, power supplies and complete subsystems for computer peripherals, telecommunications equipment, medical equipment, gaming equipment and other electronics devices. Our customers include major computer and computer peripheral manufacturers, telecommunications manufacturers, government entities, manufacturers of gaming devices and medical instrumentation manufacturers who use PTI's capabilities to produce OEM products manufactured

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to their exact specifications. To our OEM customers Bridge is known as the "time to market" supplier. Bridge 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, DVD tower enclosures, RAID enclosures, communications system enclosures, medical system enclosures, various server enclosures and other enclosures.

### II. TECHNOLOGY GROUP:

Newcorp Technology Ltd. (Japan)

-----  
Newcorp Technology Ltd., (Japan) is a high technology R&D and sales company based in Tokyo, Japan. The mission of Newcorp (Japan) is to develop and/or license leading edge technologies that can be used in products made for major OEM customers. Newcorp (Japan) is actively pursuing the acquisition and licensing of several new hardware and software technologies from high technology R&D companies worldwide. Newcorp (Japan) plans to capitalize on its strategic alliances and relationships in Japan to procure unique new technologies and designs principally related to computer enhancements and communications businesses, through which our Company expects to generate additional revenues and earnings. Our Company has already commenced delivery of components made specifically for subcontractors that supply new products for Microsoft Corporation and other OEM's.

BRIDGE R&D, INC. (USA)

-----  
BRIDGE R&D's mission is to design, develop (patent and copyright) certain components and devices required to provide high-speed broadband wireless access to the Internet backbone infrastructure. Such wireless broadband components and devices are foreseen to provide the high speed Internet access to the buildings that have no direct link to the light or dark fiber networks. It is estimated that almost 90% of the buildings do not have (and in the foreseeable future will not have) high speed communication access lines such as the T-1, T-3, OC-3, etc. This creates an opportunity for companies that make wireless broadband communication components and devices to provide wireless broadband Internet access to these buildings, "the last mile". BRIDGE R&D is in the final phase of designing an engineering prototype of high speed wireless broadband transceiver and a derivative platform. To be successful in this endeavor, BRIDGE R&D has to continue to attract new talent in this highly innovative and competitive area, and efficiently execute an innovative marketing strategy. Upon successful completion of the design efforts, our Company expects to receive immediate orders for these products from several of its customers.

### III. CHANNEL MARKETING AND DISTRIBUTION GROUP:

Bridge R&D, Inc.

-----  
Bridge R&D subsidiary of our Company has three operating units: DataStor, Classic Trading Inc. and Newcorp Technology, Inc. (USA).

DataStor

-----  
DataStor unit identifies, designs, develops, manufactures, assembles, tests, and distributes metal and plastic enclosures, brackets and enhancement kits

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for a variety of computer platforms. Certain products are produced under specific contracts with several manufacturers. DataStor also sells external peripheral kits consisting of enclosures and power supplies, mounting brackets for various peripheral devices, and complete kits for integration of various peripherals into PC systems. DataStor supplies over 60 different mass storage products, including enclosures for 1 to 7 drives, drive mounting brackets, and fixed and removable mounting bracket kits. DataStor also procures, markets, sells, and supports a family of medium size RAID-ready enclosures and subsystems through selected distribution channels.

DataStor's customers include INGRAM Micro, NECX and other national and international distributors 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. To maintain its market position as an industry leader in making cutting edge technology, DataStor is constantly researching market demand and developing new product lines and solutions. DataStor plans to continue to expand the number of OEM customers and systems integrators to increase sales volume.

Classic Trading, Inc.

-----  
Classic Trading unit operates as a nationwide computer and communications hardware wholesale distributor, providing wide variety of high quality computer and communications hardware products. CTI specializes in volume sales of computer and notebook accessories such as faster CPUs, memory expansions, hard drives, graphic cards, motherboards, DVD and CD-ROM drives, modem and network cards and much more. CTI sells brand name products from manufacturers like IBM, Fujitsu, MAXTOR, Samsung, Quantum, Seagate, INTEL, Western Digital, Microsoft, ASUS, and others.

Newcorp Technology, Inc. (USA)

-----  
Newcorp Technology (USA) unit markets and sells computer enhancements and peripheral products and Internet infrastructure products such as routers, switches, firewalls, hubs, Ethernet LAN network cards, wireless broadband LAN network cards and Access Points, and wireless broadband WAN Access Points and Subscriber Units. The primary mission of our Company's Newcorp (USA) unit is to innovate by identifying, evaluating and procuring technologies that provide new products with substantial added value. Newcorp (USA) plans to introduce several new products that integrate new-generation PC and energy related technologies to create an innovative solution for mobile computer users. Newcorp (USA) is actively pursuing the acquisition and licensing of several new technologies from major high technology companies, principally in Japan and USA. Newcorp (USA) plans to develop, license or acquire products that it is able to sell through our Company's existing sales channels. Newcorp (USA) is also in discussions with several companies, which offer products that would complement or supplement our Company's core products.

IV) CHANNEL GROUP ASIA:

CMS Technology Ltd. unit is an IBM authorized distributor for China and other Asian countries. Primary focus of CMS is distribution of computer hardware components, especially high volume sales of computer and notebook peripherals such as faster hard drives, memory expansions, hard drives, graphic cards, motherboards, DVD and CD-ROM drives, modem and network cards. CMS has organized our Company's main sales channel distribution system for Asia

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especially China. In addition CMS markets our Company's products from other business units. Our Company's customers in China for example are the top ten OEM manufacturers. CMS sells brand name products from manufacturers like IBM, Quantum, Seagate and Intel. CMS has branch offices in most major cities in China and other Asia countries.

### Competition

-----  
Manufacturing and distribution of power supplies, computer peripherals, computer enhancement, communications and other commercial electronics products is fiercely competitive. Our Company competes with numerous other companies, including several major manufacturers and distributors. Some competitors have greater financial and other resources than our 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 our Company will be able to continue to develop and sell products that afford it significant competitive advantage in the market. Ultimately our Company is indirectly affected by end user sales. The current worldwide slow down in business activity has not to date affected our China operations. Our Company has experienced minor slow down in our US manufacturing facilities which have resulted in lower sales in the last two quarters of 2000. Autec had 1/2 of its sales in the 4th quarter. This slow down in domestic sales is expected to continue through the first two quarters of 2001. However, as our Company's backlog of business continues to rise, finished goods inventory also has risen. Deliveries are expected to be made at a higher rate in the second half of 2001. Projected manufacturing revenues for the full year 2001 are expected to be greater than the full year 2000.

### Importance of New Product Development to Growth

-----  
Our Company's ability to develop and successfully introduce new products will continue to be a significant factor to its growth and remaining competitive. Development 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.

There are a number of manufacturing and design risks inherent in engineering high cost custom built prototypes upon which development and contracting decisions are often made, into commercial products that are able to be manufactured in large quantities at acceptable cost. Also, the computer peripheral industry is characterized by rapid technological change. As technological changes occur in the marketplace, our Company may have to modify its products in order to keep pace with these changes and developments or have to accept modified OEM delivery schedules based on their customers demands. Delayed or modified OEM delivery schedules have the effect of deferring our Company's revenues as revenue is recognized when shipments are made.

The introduction of products embodying new technologies, or the emergence of new industry standards, may cause the existing products, or even the products under development, to become obsolete or unmarketable within a rapid time frame. Any failure by our 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 a material adverse effect on our Company's business, results of operations, and financial condition.

Expansion through Acquisitions and Joint Ventures  
-----

Our Company has experienced rapid growth in revenues and earnings and geographic scope of operations. With new management acquired control of our Company in 1997, Mr. Winston Gu, the President of our Autec unit also serves as CEO and Chairman of the Board of our Company. Mr. John Harwer, serves as President of our Company, heads the Company's efforts to conceive, invent, design, develop (patent and copyright), and ultimately produce certain devices required to provide high-speed broadband wireless access to the Internet backbone infrastructure. Such wireless broadband devices are foreseen to provide the high-speed Internet access to the buildings that have no direct link to the light or dark fiber networks.

Our Company intends to expand its product lines and domestic and international markets, in part, primarily by internal growth and secondarily through acquisitions. Our Company's ability to expand successfully through strategic acquisitions will depend upon the availability of suitable acquisition candidates at the valuation acceptable to our Company and the availability of financing on terms acceptable to the Company. With limited financial resources and depressed market values of our common stock, our Company will be prohibited from pursuing the acquisition of target companies in the near future.

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.

CAUTIONARY STATEMENTS AND RISK FACTORS

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

While our 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. The ability of our 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.

Need for Additional Financing  
-----

Based on its current operating plan, our Company anticipates that further capital will be required during the next twelve months to satisfy our Company's expected increased working capital requirements. Our Company is not seeking equity financing at this time; however in 2001 we expect to increase our bank credit line from \$4,000,000 currently to \$20,000,000. No assurance can be provided that we will be successful and if successful that the increase will be \$20,000,000. The actual credit line could be far less. In the interim, our Company has borrowed on a short term basis \$2,800,000 from Messrs. Winston Gu and James Djen, senior executives of our Company. No assurance can be given that additional financing will be available when needed or that, if available, it will be on terms favorable to our Company or its stockholders. If needed funds are not available, our Company may be required to curtail its operations, which could have a material adverse effect on our Company's business, operating results and financial condition.



Dependence on Key Personnel

-----  
Our Company's future performance will depend significantly upon its management. Our Company contemplates entering into 5 year employment contracts with the following Officers and Management who are members of our Company's Executive Steering Committee.

Winston Gu, CEO of Bridge Technology, Inc.  
John T. Gauthier, CFO of Bridge Technology, Inc.  
John Harwer, President of Bridge Technology, Inc.  
James Djen, Managing Director of Bridge Technology, Inc.  
Hideki Watanabe, President of Newcorp Technology Ltd. Japan

In addition, our Company has demonstrated strong growth over the past four years, with this success is the absolute requirement to recruit competent additions to management. Failure by our Company to retain and attract key personnel could have a material adverse effect on our Company's business, operating results, and financial condition.

Limited Proprietary Protection

-----  
Our Company's success and ability to compete is dependent in part upon it's proprietary technology. Several of our Company's proprietary technologies are not yet protected by any patents. However, our Company's President, Mr. Harwer, is reviewing the benefits of developing patent and/or Copyright applications for at least six of our Company's technological products. Our Company has protected certain products by registering their brand names with the US Copyright office. Therefore, to date our Company has relied primarily on trademark, trade secrets and Copyright laws to protect its technology. Also, our 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.

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

Lack of Market Research or Marketing Organization

-----  
Our Company has determined on its own that a market demand exists for our Company's contemplated business. Our Company does not utilize an outside marketing organization. Present management will market our Company's products and services on a division basis with the utilizing of sales representatives. Even if demand is identified for valued added computer peripheral products which may be in the development stage by our Company, there is no assurance our Company will be successful in marketing our products.

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### Regulation

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

### Product Liability

Although our Company has not experienced any product liability claims to date, the sale and support of products by our Company may entail the risk of such claims, and there can be no assurance that our 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 our Company's products brought against our Company, or negative publicity attendant to any such claim, could have a material adverse effect upon our Company's business, operating results and financial condition. Our Company does not maintain product liability insurance.

### Limitation of Liability and Indemnification

Our 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 our Company shall indemnify its officers and directors and may indemnify its employees and other agents to the fullest extent permitted by law.

Our Company is required 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.

Our Company has purchased director's and officer's liability insurance. 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 our 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

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THE ACT AND IS THEREFORE UNENFORCEABLE.

## ITEM 2. DESCRIPTION OF PROPERTY.

Our Company's corporate offices, and the offices of several subsidiaries are located in a 50,000 square feet free standing sublet facilities at 12601 Monarch Street, Garden Grove, CA 92841. In addition to the corporate offices, this facility houses manufacturing and warehouse operations for all business units except our power supplies subsidiary and foreign operations. The lease is for 20 years at an average annual rent of \$145,000 per year. In addition our Company leases a 30,000 square feet facility in Simi Valley, California where we conduct research and development and manufacturing of power supplies. The lease is for 10 years at an average annual rent \$198,000 per year.

### Manufacturing

Our Company received and maintains the ISO 9002 certification to qualify as an approved vendor for major computer and computer peripheral manufacturers. Our Company also uses off-shore vendors to procure certain sub-assemblies, from which our Company then assembles the final products. Before shipment the products are inspected and tested to maintain the high quality and low return levels demanded by our Company's customers.

## ITEM 3. LEGAL PROCEEDINGS.

There is no litigation pending or threatened by or against our Company.

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

There were no matters submitted to the security holders in the year 2000.

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

Our Company's Common Stock is traded in the over-the-counter market under the NASDAQ 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,	
	High	Low
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
1999		
First Quarter .....	-----	-----
Second Quarter .....	\$ 4.125	\$1.50
Third Quarter .....	\$ 3.50	\$1.3125
Fourth Quarter .....	\$17.50	\$2.00

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Our Company had approximately 2,800 shareholders of record on March 31, 2001.

### 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.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND FINANCIAL CONDITION.

#### Results of Continuing Operations

The following tables set forth, for the periods indicated, the percentage 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,		
	1998	1999	2000
	(dollars in thousands)		
Revenues.....	\$ 28,738	\$ 34,272	\$ 120,919
Cost of sales .....	23,233	27,962	108,834
Gross Profit.....	5,505	6,311	12,085
Percentage .....	19%	18%	10%
Operating expenses.....	5,736	5,355	9,766
Operating income (loss).	\$ (232)	\$ 956	\$ 2,319
Net income (loss) from continuing operations.	\$ (308)	\$ 661	\$ 1,099

#### Percentage of Revenues

	Years Ended December 31,		
	1998	1999	2000
Revenues .....	100.0 %	100.0 %	100.0 %
Gross profit.....	19.2	18.4	10.0
Operating income .....	(0.8)	2.8	1.9
Interest, net.....	0.04	0.2	(0.3)
Income tax expense .....	0.3	1.1	0.5
Net income (loss).....	(1.1)	1.9	0.9

#### Percentage Increase (Decrease)

Years Ended December 31,

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	1999-1998	2000-1999
Revenues .....	19.3 %	252.8 %
Gross profit.....	14.6	91.5
Operating income .....	512.6	142.6
Interest, net.....	551.3	(668.6)
Income tax expense .....	319.7	73.8
Net income .....	316.2	66.4

Safe Harbor Statement

Statements which are not historical facts, including statements about our Company's confidence and strategies and its expectations about new and existing products, technologies and opportunities, market and industry segment growth, demand and acceptance of new and existing products are forward looking statements that involve risks and uncertainties. These include, but are not limited to, product demand and market acceptance risks, the impact of competitive products and pricing, the results of financing efforts, the loss of any significant customers of any business, the effect of our Company's accounting policies, the effects of economic conditions and trade, legal, social, and economic risks, such as import, licensing, and, trade restrictions; the results of our Company's business plan and the impact on our Company of its relationship with its lenders.

Results of Operations for Years ended December 31, 1998 and 1999

Net Sales increased 19.3% from \$28.7 million in 1998 to \$34.3 million in 1999. Products and services mix in 1999 has changed substantially in comparison to those in the prior year, due mainly to the revenue generated by Autec.

Gross Profit increased 14.6% from \$5.5 million in 1999 to \$6.3 million in 2000 principally as a result of augmented sales volume. Facing the competitive environment and declining prices, gross profit as a percentage of net sales decrease from 19.2% in 1998 to 18.4% in 1999.

Research and development expenses increased by approximately 5.4% from \$322,000 in 1998 compared to \$339,000 in 1999. The increase was attributed to on-going product development and enhancement of existing technologies.

Selling and administrative expenses decreased approximately 7.4% from \$ 5.4 million in 1998 to \$5.0 million in 1999. The decrease in selling, general and administrative expenses was attributed mainly to the cost-saving effort made by our Company to reduce all possible expenses.

Net income increased approximately 314.6% from a net loss of \$308,000 in 1998 to a net income of \$661,000 in 1999. The increase in net income was attributed to the increase in revenue in Autec and Bridge R&D from which the sale revenue generated a relative higher gross margin.

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

Net Sales increased 253% from \$34.3 million in 1999 to \$120.9 million in

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2000. Products and services mix in 2000 has changed substantially in comparison to those in the prior year, due mainly to the revenue of approximately \$70 million generated by CMS, which is an authorized IBM products distributor in Asia.

Gross Profit increased 92% from \$6.3 million in 1999 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 of net sales decrease from 14.6% in 1999 to 10% in 2000. The gross margin in CMS was relative low comparing to the gross margins in other subsidiaries.

Research and development expenses increased by approximately 103% from \$339,000 in 1999 compared to \$689,000 in 2000. The increase was attributed to on-going product development and enhancement of existing technologies.

Selling and administrative expenses increased approximately 81% from \$5.1 million in 1999 to \$9.1 million in 2000. The increase in selling, general and administrative expenses was attributed mainly to the expansion of business activities in Asia and the United States.

Net income increased approximately 66% from \$661,000 in 1999 to \$1.1 million in 2000. The increase in net income was attributed to the net income generated by Autec and CMS in 2000.

### Liquidity and Capital Resources

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Since current management acquired control of our Company in early 1997, our Company has financed its operations with internal generated cash with the private placement of its securities and with loans from principals of our Company.

### Comparison between 1998 and 1999

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The Company's capital requirements have been, and will continue to be, significant. At December 31, 1999, the Company had a working capital surplus of \$5,353,306 and cash and cash equivalents of \$2,900,029 compared to a working capital surplus of \$3,710,978 and cash and cash equivalents of \$2,115,727 at December 31, 1998. Since inception, the Company has satisfied its working capital requirements through revenues generated from operation, the issuance of equity and debt securities, and loans from banking institutions.

Net cash provided in operating activities in the twelve months ended December 31, 1999 was \$391,263, as compared to net cash used of \$850,593 in the twelve months ended December 31, 1998 the difference is mainly due to net income and changes in other operating activities.

Net cash used in investing activities in the twelve months ended December 31, 1999 was \$621,866 essentially for the purchase of fixed assets and purchase of intangibles, as compared to \$314,162 for the purchase of fixed assets in twelve months ended December 31, 1998.

Net cash provided by financing activities in the twelve months ended December 31, 1999 was \$1,041,104 as compared to \$1,813,992 provided by financing Company's activities in the twelve months ended December 31, 1998. This reflects the cash provided from the issuance of the Company's stock in several private placements to accredited investors.

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The Company has obtained approval from the Board of Directors to invest \$250,000 in Pacific Bridge Net Inc., a Nevada subsidiary of the Company whose mission is to design, develop, manufacture, deploy infrastructure systems in Asia through Joint Ventures and to sell wireless infrastructure operating equipment to third parties. \$200,000 was actually invested by the Company and \$50,000 was invested by a strategic alliance partner, Worldwide Wireless Internet additional funding of at least \$1,000,000 will be required in 2000.

### Comparison between 1999 and 2000

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Our Company's capital requirements have been, and will continue to be, significant. At December 31, 2000, our Company had a working capital surplus of \$6,932,287 and cash and cash equivalents of \$4,870,836 compared to a working capital surplus of \$5,353,306 and cash and cash equivalents of \$2,900,029 at December 31, 1999. Since inception, our Company has satisfied its working capital requirements through revenues generated from operations, the issuance of equity securities, loans from banking institutions and principals of our Company.

Net cash used in operating activities in the twelve months ended December 31, 2000 was approximately \$4.5 million, as compared to net cash provided of \$681,000 in the twelve months ended December 31, 1999. The difference was mainly due to the cash decrease in accounts receivable and inventory and cash increase in accounts payable.

Net cash used in investing activities in the twelve months ended December 31, 2000 was approximately \$5.0 million, as compared to \$662,000 in twelve months ended December 31, 1999. The main reason for the increase in cash used in investing activities was the net cash of \$5.3 million used for acquiring 60% equity interest in CMS.

Net cash provided by financing activities in the twelve months ended December 31, 2000 was approximately \$11.4 million as compared to \$791,000 provided by financing activities in the twelve months ended December 31, 1999. The main factor for the increase in cash provided by financing activities was the net increase of \$5.8 million from lines of credit obtained in the United States and in Hong Kong and the cash of \$4.2 million injected as capital by the ex-shareholders in CMS before the acquisition took place.

We believe that our Company can accommodate the fund needs from the growth of business with internally generated cash flow and increased credit facilities from one or more banking institutions. However, there can be no assurances that an additional credit will be obtained. The absence of an increased credit line is sure to stymie our Company's growth plans.

### Effects of Fluctuation in Foreign Exchange Rates

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Our Company continues to buy products and services from foreign suppliers. Our 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 and Newcorp Technology's operations in Japan. To date the risk has been minimal.

### Fluctuation in Quarterly Results

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Quarterly results may be adversely affected in the future by a variety of

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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. Our Company plans to continue to fund research and development and its expanded patent work with cash generated from internal operations. To the extent that such expenses precede, or are not subsequently followed by, increased revenues, our Company's business, operating results and financial condition will be adversely affected.

### Recent Accounting Pronouncements

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Statement of Financial Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). 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. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Historically, our Company has not entered into derivatives contracts either to hedge existing risks or for speculative purposes. Accordingly, our Company does not expect adoption of the new standard on January 1, 2000 to affect its financial statements.

### QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

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

### SELECTED FINANCIAL DATA

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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, 1999, and 2000; Autec Power Systems, Inc. as of December 31, 1999 and 2000; and CMS Technology Limited, Hong Kong as of December 31, 2000. Operating results and per share data for the years ended December 31, 1998, 1999, and 2000 include the results for PTI Enclosures, Inc. and Autec Power Systems, Inc., and December 31, 2000 includes the operating results of CMS Technology Limited, Hong Kong. Consolidated balance sheets at December 31, 1999 and 2000 and consolidated statements of operations, stockholder's equity and cash flows for the years ended December 31, 1998, 1999 and 2000, together with the related notes and the report of BDO Seidman, LLP, independent certified public accountants, are included elsewhere herein



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and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

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

	Years Ended December 31,		
	1998	1999	2000
<b>Revenues:</b>			
Manufacturing .....	\$ 21,102	\$ 22,188	\$ 28,137
Channel Distribution .....	7,636	12,084	92,782
	-----	-----	-----
	28,738	34,272	120,919
	-----	-----	-----
<b>Cost of Sales:</b>			
Manufacturing .....	18,449	17,957	20,441
Channel Distribution .....	4,784	10,005	88,393
	-----	-----	-----
	23,233	27,962	108,834
	-----	-----	-----
Gross profit .....	5,505	6,310	12,085
Selling, general and administrative costs .....	5,415	5,016	9,077
R & D expense .....	322	339	689
	-----	-----	-----
Operating income .....	(232)	956	2,319
Interest income, net .....	11	69	(391)
Minority interest in earning	2	11	(233)
	-----	-----	-----
Income before income taxes .	(219)	1,024	1,731
Income tax expense .....	87	363	632
	-----	-----	-----
Net income from continuing operations .....	(306)	660	1,099
	-----	-----	-----
Preferred stock dividend ...	2	-	-
Net Income .....	\$ (308)	\$ 660	\$ 1,099
	=====	=====	=====
<b>Earnings per share:</b>			
Basic .....	\$ (0.04)	\$ 0.07	\$ 0.10
	=====	=====	=====
Diluted .....	\$ (0.04)	\$ 0.06	\$ 0.10
	=====	=====	=====
<b>Basic weighted average</b>			
Number of common shares outstanding ..	8,183,487	10,581,406	11,254,022
	=====	=====	=====
Dividends declared per share	None	None	None

Selected Financial Data  
(in thousands)

	December 31,		
	1998	1999	2000
Working capital .....	\$ 3,711	\$ 5,353	\$ 6,932
Total assets .....	12,197	13,283	44,722
Borrowings under bank line of credit.....	572	98	6,000
Long-term debt, including current maturities.....	776	878	777
Stockholder's equity.....	3,782	5,766	9,497

ITEM 7. FINANCIAL STATEMENTS.

Bridge Technology, Inc. and Subsidiaries

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Consolidated Financial Statements

For the Years Ended December 31, 1998, 1999 and 2000

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Bridge Technology, Inc. and Subsidiaries  
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Notes to Financial Statements  
Schedule II

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## Independent Auditors' Report

The Shareholders of  
Bridge Technology, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Bridge Technology, Inc. (a Nevada corporation) and subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of three the years in the period ended December 31, 2000. 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 in the consolidated 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, 1999 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 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.

Los Angeles, California  
March 14, 2001

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BRIDGE TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	2000
Assets (Note 4)		
Current assets:		
Cash	\$ 2,900,029	\$ 4,870,836
Accounts receivable less allowance for doubtful accounts of \$112,911 and \$465,656 (Note 11)	5,793,882	17,666,626
Subscription receivable (Note 9)	75,000	-
Advances to employees	1,200	42,898
Other receivables	39,082	1,057,217
Inventory, less provision of \$168,101 and \$619,504 (Note 1)	3,157,433	16,991,615
Due from related party (Note 8)	28,107	21,932
Other current assets	110,284	219,192
Total current assets	12,105,017	40,870,316
Property and equipment, net (Note 2, 5 and 8)	801,881	716,384
Goodwill, net of amortization of \$598,210 (Note 6)	-	2,586,324
Purchased intangibles (Note 9)	200,000	190,000
Deferred income tax (Note 3)	70,750	63,201
Investments	39,998	229,862
Other assets	65,910	66,834
Total assets	\$ 13,283,556	\$ 44,722,921
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable (Note 4)	\$ 97,905	\$ 6,000,000
Current portion of long term debt (Note 5)	150,155	155,980
Accounts payable, net of accrued rebates and credits of \$0 and \$860,580	5,289,936	23,180,434
Accrued taxes payable	307,804	537,241
Deferred income tax (Note 3)	-	26,425
Accrued liabilities	905,911	1,148,870
Shareholder loan, including interest (Note 6)	-	2,888,919
Total current liabilities	6,751,711	33,938,029
Long term debt, less current portion (Note 5)	727,643	621,023
Total liabilities	7,479,354	34,559,052

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Minority interest	38,552	667,224
Commitments and Contingencies (Note 7)		
Shareholders' equity (Notes 9 and 10):		
Convertible, cumulative and redeemable preferred stock, \$1 stated value per share, 500 shares authorized, none outstanding	-	-
Common stock; par value \$0.01 per share, authorized 100,000,000 shares, 10,442,186 shares and 10,863,186 shares outstanding at December 31, 1999 and 2000	104,422	108,632
Additional paid-in capital	6,721,852	9,308,139
Related party receivable (Note 8)	(250,000)	(225,000)
Treasury stock, 1,000 shares at cost	(2,000)	(2,000)
Retained earnings (accumulated deficit)	(744,415)	354,745
Accumulated other comprehensive loss	(64,209)	(47,871)
Total shareholders' equity	5,765,650	9,496,645
Total liabilities and shareholders' equity	\$ 13,283,556	\$ 44,722,921