

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

BRIDGE TECHNOLOGY INC
Form 10-Q
November 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 2001

or

Transition report pursuant to 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.

(Exact name of registrant 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)

(714) 891-6508

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Yes [] No []

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value - 10,863,186 shares as of Sept. 30, 2001

2

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Bridge Technology, Inc. and Subsidiaries Consolidated Balance Sheets

	December 31, 2000 (Audited)	September 30, 2001 (Unaudited)
	-----	-----
Assets		
Current assets:		
Cash	\$ 4,870,836	\$ 1,347,559
Accounts receivable less allowance for doubtful accounts of \$465,656 and \$683,255	17,666,626	14,945,675
Consumption tax receivable	-	21,220
Advances to employees	42,898	13,133
Other receivables	1,057,217	87,019
Inventory, less provision of \$619,504 and \$2,155,513 (note 5)	16,991,615	23,131,009
Due from related party	21,932	12,667
Other current assets	219,192	400,525
	-----	-----
Total current assets	40,870,316	39,958,807
Property and equipment, net	716,384	2,520,764
Goodwill, net of amortization of \$598,210 and \$1,075,891	2,586,324	2,108,643
Purchased intangibles	190,000	190,000
Deferred income tax	63,201	60,614
Advance to Bridge R&D Ltd. (Hong Kong)	-	26,194
Investments	229,862	229,862
Other assets	66,834	97,247
	-----	-----
Total assets	\$ 44,722,921	\$ 45,192,131
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 4,000,000	\$ 4,034,669
Bank overdraft	-	80,970

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Current portion of the long term debt	155,980	-
Accounts payable, net of accrued rebates and credits of \$860,580 and \$2,460,125	23,180,434	20,713,415
Accrued taxes payable	537,401	477,152
Deferred income tax	26,425	39,740
Payable to employee	-	15,642
Accrued liabilities	1,148,870	1,303,600
Shareholder loan, including interest	2,888,919	1,691,050
Line of credit in CMS	2,000,000	4,000,000
	-----	-----
Total current liabilities	33,938,029	32,356,238

3

Long term shareholder loan	-	2,696,658
Long term related party loan	-	996,656
Long term loan, less current portion	621,023	610,973
	-----	-----
Total liabilities	34,559,052	36,660,525
	-----	-----

Minority interest	667,224	808,394
-------------------	---------	---------

Shareholders' equity		
Common stock; par value \$0.01 per share, authorized 100,000,000 shares, 10,863,186 shares outstanding at December 31, 2000 and Sept. 30, 2001	108,632	108,632
Additional paid-in capital	9,308,139	9,308,139
Related party receivable	(225,000)	(225,000)
Treasury stock, 1,000 shares at cost	(2,000)	(2,000)
Stock subscribed	-	-
Retained earnings (accumulated deficit)	354,745	(1,411,995)
Accumulated other comprehensive loss	(47,871)	(54,564)
	-----	-----
Total shareholders' equity	9,496,645	7,723,212
	-----	-----
Total liabilities and shareholders' equity	\$ 44,722,921	\$ 45,192,131
	=====	=====

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

Bridge Technology, Inc. and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 2001	Sept. 30, 2000	Sept. 30, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$ 28,338,705	\$ 47,253,682	\$ 75,593,535	\$109,678,377
Cost of sales	26,022,715	44,836,775	68,175,758	102,934,982
Gross profit	2,315,990	2,416,907	7,417,777	6,743,395
Research and development	159,656	281,362	563,232	936,383
Selling, general and administrative expense	1,869,196	2,555,924	5,426,770	6,701,744
Income (loss) from operations	287,138	(420,379)	1,427,775	(894,732)
Other income (expense):				
Interest expense	(114,804)	(223,444)	(272,929)	(588,283)
Other income	8,051	4,855	122,493	110,991
Income (loss) before income taxes	180,385	(638,968)	1,277,339	(1,372,024)
Income taxes provision	36,617	96,997	378,099	256,846
Net income (loss)	143,768	(735,965)	899,240	(1,628,870)
Minority interest	(12,141)	(50,781)	(230,329)	(137,870)
Net income (loss) applicable to common shares	\$ 131,627	\$ (786,746)	\$ 668,911	\$ (1,766,740)
Basic weighted average number of common stock outstanding	10,853,186	10,863,186	10,650,529	10,863,186
Basic earnings (loss) per share	\$ 0.01	\$ (0.07)	\$ 0.06	\$ (0.16)
Diluted weighted average number of common stock outstanding	11,219,176	10,863,186	11,016,519	10,863,186

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

	=====	=====	=====	=====
Diluted income (loss)				
per share	\$ 0.01	\$ (0.07)	\$ 0.06	\$ (0.16)
	=====	=====	=====	=====

5

Comprehensive income and its components consist of the following:

Net income	\$ 131,627	\$ (786,746)	\$ 668,911	\$ (1,766,740)
Foreign currency translation adjustment	(765)	(15,975)	4,259	(6,993)
	-----	-----	-----	-----
Comprehensive income	\$ 130,862	\$ (802,721)	\$ 673,170	\$ (1,773,733)
	=====	=====	=====	=====

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

6

Bridge Technology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents

	Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 2001
	----- (Unaudited)	----- (Unaudited)
Cash flows from operating activities		
Net income (loss)	\$ 668,911	\$ (1,766,740)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	583,476	701,508
Provision for doubtful accounts	9,792	9,021
Stock in exchange for services	3,666	-

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Minority interest	230,329	137,870
Increase (decrease) from changes in operating assets and liabilities:		
Trade receivables	(2,161,803)	2,711,944
Inventory	(1,419,215)	(6,139,394)
Other receivables	(153,547)	970,198
Advances to employees	1,200	45,407
Prepaid and other assets	(290,701)	(181,333)
Related party receivable	175,000	-
Deferred income taxes	-	(23,998)
Income tax payable	-	(41,569)
Interest payable	-	(64,600)
Other assets	(46,274)	(30,413)
Accounts payable	34,001	(2,467,019)
Accrued liabilities	(221,562)	154,730
Other liabilities	(128,996)	-
Due from other shareholders of CMS	(936,810)	-
Due from related party	(12,649)	(16,929)
Net cash used in operating activities	(3,665,182)	(6,001,317)
Cash flows from investing activities		
Purchase of property, plant and equipment	(126,690)	(2,028,207)
Acquisition of CMS, net of cash acquired	(5,293,164)	-
Net cash used in investing activities	(5,419,854)	(2,028,207)
Cash flows from financing activities		
Proceeds from loans payable	2,588,215	-
Repayments on loans payable	(486,659)	(166,030)
Bank overdraft	-	80,970
Proceeds from exercise of warrants	36,750	-
Proceeds from related party loans	2,900,000	3,398,058
Repayments of related party loans	(250,000)	(803,344)
Stock subscription collected	4,316,645	-
Proceeds from line of credit, net	-	2,000,000
Net cash provided by financing activities	9,104,951	4,509,654
Effect of exchange rate changes on cash	576	(3,407)
Net increase (decrease) in cash and cash equivalents	20,491	(3,523,277)
Cash and cash equivalents, beginning of period	2,900,029	4,870,836
Cash and cash equivalents, end of period	\$ 2,920,520	\$ 1,347,559

Supplemental information

7

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Cash paid during the year for:

Interest	\$ 296,614	\$ 715,474
Income taxes	127,232	300,000
	-----	-----

Supplemental disclosure of non-cash activities:

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. The acquisition was effective May 15, 2000. The fair market value of 30% interest of CMS amounted to \$1,824,050. Consequently the Company recognized goodwill of \$515,950, which will be amortized over a five-year period on a straight line basis.

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

8

Bridge Technology, Inc. and Subsidiaries Notes to Consolidated Financial Statements (Unaudited)

Organization and Business

Bridge Technology, Inc. ("the Company") was organized 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. The Company started to enter into wireless internet business through joint ventures in 1999.

The Company has the following subsidiaries:

	Ownership	

Bridge R&D, Inc.	100%	Established on June 1, 1997
Newcorp Technology Ltd. (in Japan)	100%	Merged on November 1, 1997
PTI Enclosures, Inc.	100%	Merged on December 14, 1998
Newcorp Technology, Inc. (USA)	100%	Established on March 23, 1999
Pacific Bridge Net	100%	Established on August 16, 1999
Autec Power Systems, Inc.	100%	Merged on December 1, 1999
CMS Technology Ltd.	90%	Acquired on January 3, 2000 (60%)

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Bridge Technology Ningbo Co. Ltd. 100% Acquired on May 15, 2000 (30%)
Established on May 28, 2001

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three month and nine month periods ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2000.

Note 2. Reclassification

Certain amounts in the consolidated financial statements for September 30, 2000 have been reclassified to conform to the September 30, 2001 presentation. Such reclassifications had no effect on shareholders' equity as previously reported.

Note 3. Earnings Per Share Computation

We compute earnings per share in accordance with Statement of Financial Accounting Standards Board's No. 128 which requires presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts, such as stock options and warrants to issue common stock, were exercised or converted into common stock.

9

The computations of the weighted-average common shares used in the computation of basic and diluted net loss per share is based on 10,863,186 shares for the three months and nine months ended September 30, 2001. The computations of the weighted-average common shares used in the computation of basic and diluted net loss per share is based on 10,853,186 and 11,219,176 shares, respectively, for the three months ended September 30, 2000, and 10,650,529 and 11,016,519 shares, respectively, for the nine months ended September 30, 2000. Potential dilutive securities were not included in the EPS calculation since their effect would be antidilutive. Potential dilutive securities consisted of outstanding stock options and stock warrants.

Note 4. Income Taxes

As of December 31, 2000 and September 30, 2001, a valuation allowance has been provided for that portion of the net deferred tax asset which management cannot determine, with reasonable certainty, that the benefit will be realized.

One of the subsidiaries of the Company has net operating loss carryforwards

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

which are separate return year losses in the amount of approximately \$16,000, and will begin to expire in 2008. On December 14, 1998, the subsidiary had a change in ownership as defined under Internal Revenue Code Section 382. The net operating loss carryforward is subject to an annual limitation.

Note 5. Shareholders' Equity

In February 2001, the Company granted 150,000 warrants, with an exercise price ranging from \$3.00 to \$5.00 per share and vesting immediately, to outside consultants in exchange for their services to be provided.

In April 2001, the Company issued 15,000 warrants, at an exercise price of \$3.00 and vesting immediately, to a member of the Advisory Board.

Note 6. Inventory

Inventory consists of:

	December 31, 2000	September 30, 2001
	-----	-----
Service parts	\$ 1,505,715	\$ 1,482,831
Work in process	558,406	621,465
Finished goods	15,546,998	23,182,226
Allowance for slow moving items	(619,504)	(2,155,513)
	-----	-----
	\$ 16,991,615	\$ 23,131,009
	=====	=====
	December 31, 2000	September 30, 2001
	-----	-----
U.S. Unit inventory	\$ 3,241,455	\$ 2,604,959
* Asia Unit inventory	13,750,160	20,526,050
	-----	-----
	\$ 16,991,615	\$ 23,131,009
	=====	=====

* Asia Unit inventory consists of IBM products received in the latter part of a quarter and usually sold out in 30 to 45 days.

10

Note 7. Newly Established Subsidiary in China

The Company established a wholly owned subsidiary, Bridge Technology Ningbo Co. Ltd. ("Ningbo"), in the city of Ningbo, Zhejiang province of China effective May 28, 2001. The Company committed to the Chinese government to invest a total of \$10 million in the new Ningbo production facility in two phases. The first phase ends December 31, 2001 and total capital required to be infused for phase one is \$3.15 million. As of September 30, 2001, the Company has infused approximately \$2.6 million investment in the Ningbo facility. The Company expects that it will be able to meet its requirement.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Except for historical information contained herein, the matters set forth in this report are forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. The Company disclaims any obligations to update these forward-looking statements.

Results of Operations for the Three Months Ended September 30, 2001 as Compared to the Three Months Ended September 30, 2000

Net sales of \$47,253,682 for the three months ended Sept. 30, 2001 increased by \$18,914,977 (66.7%) over net sales of \$28,338,705 for the same period of 2000. This increase was due primarily to the growth of the Company's channel distribution business in China, summarized as follows:

	Three months ended September 30, 2000	Three months ended September 30, 2001	% Change
	-----	-----	-----
U.S. Unit Sales	\$ 12,648,177	\$ 9,428,647	down 25%
Asia Unit Sales	15,690,528	37,825,035	up 141%
	-----	-----	
Total Sales	\$ 28,338,705	\$ 47,253,682	
	=====	=====	

Gross profit for the three months ended September 30, 2001 was \$2,416,907, a 4.4% increase when compared to \$2,315,990 the three months ended September 30, 2000, reflecting higher revenues for the period ended September 30, 2001. Gross profit as a percentage of net sales declined from 8.2% for the three months ended September 30, 2000 to 5.1% for the three months ended September 30, 2001. The decrease is principally due to losses incurred by the Company's power electronics business in the slower U.S. market.

Research and development expenses increased by \$121,706 to \$281,362 in the three months ended September 30, 2001, compared to \$159,656 for the three months ended September 30, 2000. This represents a 76.2% increase and is due to the Company expanding its research projects in power electronics.

11

Selling, general and administrative expenses increased by \$686,728 to \$2,555,924 in the three months ended September 30, 2001 compared to \$1,869,196 for the three months ended September 30, 2000. Part of the increase can be attributed to higher legal fees and to a goodwill amortization charge of \$159,227 included in selling, general and administrative expenses in the three

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

months ended September 30, 2001 as a result of the acquisition of CMS Technology Limited. As a percentage of revenue, these expenses decreased from 6.6% in the three months ended September 30, 2000 to 5.4% in the three months ended September 30, 2001. The decline is largely due to lower selling, general and administrative expenses relative to revenue for the three months ended September 30, 2001 compared to the same period in 2000.

Operating results decreased from income of \$287,138 in the three months ended September 30, 2000 to a loss of \$420,379 in the three months ended September 30, 2001. The decrease in operating results is primarily attributed to losses incurred by the Company's power electronics business in the slower U.S. market. Income from operations as a percentage of revenue decreased from a 1.0% profit in the three months ended September 30, 2000 to loss of 8.9% in the three months ended September 30, 2001.

Net interest increased \$108,640 from interest expense of \$114,804 in the three months ended September 30, 2000 to interest expense of \$223,444 in the three months ended September 30, 2001. Other income decreased from \$8,051 in the three months ended September 30, 2000 to the \$4,855 in the three months ended September 30, 2001.

Net income decreased from a profit of \$131,627 or \$0.01 per share for the three months ended September 30, 2000 to loss of \$786,746 or \$0.07 per share for the three months ended September 30, 2001.

Results of Operations for the Nine Months ended September 30, 2001 as Compared to the Nine Months Ended September 30, 2000

Net Sales of \$109,678,377 for the nine months ended September 30, 2001 increased by \$34,084,842 (45.1%) over net sales of \$75,593,535 for the same period of 2000. The increase was due primarily to the growth of the Company's channel distribution business in China for the period ended September 30, 2001, summarized as follows:

	Nine months ended September 30, 2000	Nine months ended September 30, 2001	%
			Change
U.S. Unit Sales	\$ 31,078,328	\$ 27,183,885	down 12.5%
Asia Unit Sales	44,515,207	82,494,492	up 85%
Total Sales	\$ 75,593,535	\$109,678,377	

Gross profit for nine months ended September 30, 2001 was \$6,743,395 a 9.1% decrease when compared to \$7,417,777 for the nine months ended September 30, 2000, reflecting losses in the Company's power electronics business for the period ended September 30, 2001. Gross Profit as a percentage of net sales declined from 9.8% for the nine months ended September 30, 2000 to 6.1% for the nine months ended September 30, 2001. The decrease is principally due to the losses incurred in the Company's power electronics business in the slower U.S. market.

Research and development expenses increased by \$373,151 to \$936,383 in the nine months ended September 30, 2001, compared to \$563,232 for the nine months ended September 30, 2000. This represents a 66.3% increase and is due to the Company's decision to expand its research efforts and new projects in the power electronics business.

Selling, general and administrative expenses increased by \$1,274,974 to \$6,701,744 in the nine months ended September 30, 2001 compared to \$5,426,770 for the nine months ended September 30, 2000. Part of the increase can be attributed to higher legal fees and to a goodwill amortization charge of \$438,984 included in selling, general and administrative expenses in the nine months ended September 30, 2001 as a result of the acquisition of CMS Technology Limited. As a percentage of revenue, these expenses decreased from 7.2% in the nine months ended September 30, 2000 to 6.1% in the nine months ended September 30, 2001. The decline is largely due to the lower selling, general and administrative expenses relative to revenue for the nine months ended September 30, 2001 compared to the same period in 2000.

Operating results decreased from income of \$1,427,775 in the nine months ended September 30, 2000 to loss of \$894,732 in the nine months ended September 30, 2001. The decrease principally reflects the losses incurred by the Company's power electronics business, new factory startup costs and lower shipments in the U.S market. Income from operations as a percentage of revenue decreased from an 1.9% profit in the nine months ended September 30, 2000 to an 0.8% loss in the nine months ended September 30, 2001.

Net interest increased \$315,354 from interest expense of \$272,929 in the nine months ended September 30, 2000 to interest expense of \$588,283 in the nine months ended September 30, 2001. Other income decreased from \$122,493 in the nine months ended September 30, 2000 to the 110,991 for the nine months ended September 30, 2001.

A net loss of \$1,766,740 or \$0.16 per share was incurred for the nine months ended September 30, 2001 compared to a net income of \$668,911 or \$0.06 per share for the same period in 2000.

Liquidity and Capital Resources

The Company maintains credit facilities with IBM Global Credit in Asia which has varied during the year from 19 million to 28 million. The Company had negotiated a 27 million dollars credit facility with IBM Global Credit to incorporate both the U.S. operations and the Asian operations with priority for the China channel marketing operations. This arrangement would satisfy the needs of the Company's Asia operations but leave little or no credit facility available for the Company's U.S. operations. Therefore, the negotiated agreement was not finalized and will not be consummated.

The Company also maintains a \$4,000,000 credit facility for U.S. operations which is not sufficient to sustain the growth planned for its domestic power electronics business. Accordingly negotiations are in progress with banking institutions to increase this line to \$6,000,000, and curtailing the present line at General Bank.

In addition, the Company has negotiated a long term loan of \$996,656 from PTI, LLC and entity owned by shareholders.

The Company's capital requirements continue to be substantial in light of the Company's continued growth record. The Company's cash and cash equivalents, with the assistance of \$3,307,629 in shareholder long term loans, have been sufficient to cover its cash flow from operations. At September 30, 2001, the Company had working capital of \$6,605,911 and cash of \$1,347,559 compared to a working capital of \$6,932,287 and cash of \$4,870,836 at December 31, 2000. The Company has satisfied its working capital requirements with cash generated through operations, bank loans and shareholders and affiliates long term loans.

Net cash used in operating activities in the nine months ended September 30, 2001 was \$6,001,317 as compared to \$3,665,182 used in operating activities in the nine months ended September 30, 2000, the difference is mainly due to net loss for the period.

Net cash used in investing activities in the nine months ended September 30, 2000 was \$5,419,854 primarily for the acquisition of CMS Technology Limited, net of cash acquired, as compared to \$2,028,207 for the purchase of fixed assets in the nine months ended September 30, 2001.

Net cash provided by financing activities in the nine months ended September 30, 2000 was \$9,104,951 as compared to \$4,509,654 in the nine months ended September 30, 2001. The change is attributable primarily to a \$4.3 million stock subscription collected in the nine months ended September 30, 2000.

The Company believes that it can fund the growth of its core business with internally generated cash flow in addition to its newly acquired financing from a major lender.

Recently Issued Statements of Financial Accounting Standards

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, Business Combinations (SFAS 141), and No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 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 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 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 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 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 142. SFAS 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 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

The Company has not determined the impact of adopting SFAS 141 or SFAS 142.

Effects of Inflation

The Company believes that inflation has not had a material effect on its net sales and results of operations.

14

Effects of Fluctuation in Foreign Exchange Rates

The Company continues to buy products and services from foreign suppliers. The Company contracts for such products and services denominated by U.S. dollars, thus eliminating the possible effect of currency fluctuations. The Company's wholly-owned subsidiary, Newcorp Technology (Japan), was subject to such currency fluctuations and subsequently suffered losses due mainly to the decline of Japanese yen from 120.39 Yen/dollar at October 30, 1997 to present rate of 125.54 Yen/dollar at December 31, 2000.

Effect on the September 11, 2001 terrorist activity

The Company had begun experiencing a sharp slowdown in its power electronics manufacturing facility beginning in June 2001. We note no appreciable decline in business since September 11, 2001; in fact we are receiving substantial orders which are expected to be reflected in revenues beginning in the 1st quarter of 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A complaint has been filed against the Company for fees alleged to be due on an acquisition that was not consummated. The complaint seeks damages of approximately \$2,000,000. The Company has tendered this matter to its insurance carriers. The Company believes the complaint is without merit and will be resolved in favor of the Company.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

A complaint has been filed against the Company for an alledged transfer of assets, technology, trade secrets, confidential information, business opportunities from Allied Web, a corporation owned by the Company's President, John Harwer. The Company never accepted assets etc. transferred from Allied Web. The Company paid \$100,000 for assets acquired from John Harwer Inc., the exact sum John Harwer paid to a third party.

The Company considers that this action has no merit.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

15

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no defaults upon senior securities.

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

There are no matters submitted to a vote of security holders.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- EX-3. (i) Articles of Incorporation
- EX-3.D (i) Bridge Technology, Inc. as amended August 16, 2001

- EX-21 Subsidiaries of the registrant
 - I. Bridge Technology Ningbo Co. Ltd. (by hard copy)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bridge Technology, Inc.

(Registrant)

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Date: November 14, 2001

Winston Gu

Winston Gu, Chairman

Date: November 14, 2001

John T. Gauthier

John T. Gauthier, CFO

Date: November 14, 2001

John Harwer

John Harwer, President

Date: November 14, 2001

James Djen

James Djen, CEO