



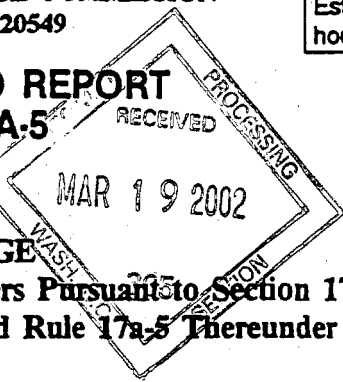
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SECURITIES AND COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 39247



FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

CATHAY SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

202 CANAL STREET, SUITE 403

(No. and Street)

NEW YORK,

(City)

NEW YORK

(State)

10013

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MR. RUSERIM S. HASAN

212-285-2261

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WONG & CO., CERTIFIED PUBLIC ACCOUNTANTS

(Name - if individual, state last, first, middle name)

57 WEST 38TH STREET, 12TH FLOOR, NEW YORK, NY 10018-5500

(Address)

(City)

(State)

**PROCESSED**

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

MAR 29 2002

P THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

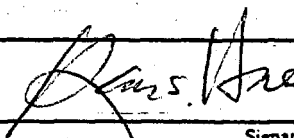
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3/20/02

OATH OR AFFIRMATION

I, RUSERIM S. HASAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CATHAY SECURITIES, INC., as of

DECEMBER 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


N/A



Signature

PRESIDENT

Title

  
TONY C. WONG  
Notary Public, State of New York  
No. 41-4800224  
Qualified in Nassau County  
Certificate Filed in New York County  
Commission Expires July 31, 2005

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

CERTIFIED PUBLIC ACCOUNTANTS' SUPPLEMENTARY REPORT OF INTERNAL CONTROL

\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



57 West 38th Street, 12F/L, New York, NY 10018  
Tel: (212) 840-6123 Fax: (212) 840-6993

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors of  
Cathay Securities, Inc.

We have audited the accompanying statement of financial condition of Cathay Securities, Inc. (the Company) as of December 31, 2001, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Securities, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Focus Report is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wong & Co.  
New York, New York  
February 26, 2002

CATHAY SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

ASSETS

Cash and Cash Equivalents (Note 2)	\$	46,688
Receivable From Broker		124,168
Office Furnishings, Net of Accumulated Depreciation and Amortization of \$80,279 (Note 2)		22,113
Other Assets		62,838
Total Assets	\$	<u>255,807</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts Payable and Accrued Expenses	\$	2,259
Stockholders' Equity: (Note 3)		
Capital Stock		76,200
Additional Paid-in-Capital		98,800
Retained Earnings		78,548
Total Stockholders' Equity		<u>253,548</u>
Total Liabilities and Stockholders' Equity	\$	<u>255,807</u>

See Accountants' Report and Accompanying Notes

CATHAY SECURITIES, INC.  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2001

**REVENUES:**

Commission Income, Net (Note2)	\$	236,436
Other Income		21,762
Interest Income		10,784
Total Revenues		<u>268,982</u>

**EXPENSES:**

Salaries		144,500
Payroll Related Expenses		11,904
Commission Expense		11,410
Occupancy Costs		78,229
Communication Costs		54,679
Equipment Rental		7,329
Advertising & Promotion		19,140
Office Expense		30,983
Professional Fees		5,743
Computer & Clearing Charges		15,778
Travel & Entertainment		7,420
Miscellaneous		2,211
Depreciation (Note 2)		4,988
Total Expenses		<u>394,314</u>

Loss Before Income Taxes		<u>(125,332)</u>
Provisions for Income Taxes (Note 4)		<u>(42,463)</u>
Net Loss	\$	<u><u>(82,869)</u></u>

See Accountants' Report and Accompanying Notes

**CATHAY SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Loss	\$	(82,869)
Adjustments to Reconcile Net Income to Net Cash Generated by Operating Activities:		
Depreciation Expense		4,988
Decrease in Receivable From Broker		31,111
Increase in Other Assets		(42,913)
Decrease in Accrued Expenses		<u>(112,044)</u>
Net Cash Provided by Operating Activities		<u>(201,727)</u>
	Net Decrease in Cash	\$ <u>(201,727)</u>
	Cash, Beginning of Year	<u>248,415</u>
	Cash, End of Year	<u><u>\$ 46,688</u></u>

**Supplemental Disclosure of Cash Flows Information:**

Cash Paid During The Year For:		
Corporate Income and Franchise Taxes	\$	<u><u>11,570</u></u>

See Accountants' Report and Accompanying Notes

CATHAY SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2001

	<u>Capitla</u> <u>Stock</u>	<u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance, 01-01-2001	\$ 76,200	\$ 98,800	\$ 161,417	\$ 336,417
Additions	0	0	0	0
Net Loss	0	0	(82,869)	(82,869)
Balance, 12-31-2001	<u>\$ 76,200</u>	<u>\$ 98,800</u>	<u>\$ 78,548</u>	<u>\$ 253,548</u>

See Accountants' Report And Accompanying Notes

## CATHAY SECURITIES, INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

#### Note 1 - Organization

Cathay Securities, Inc. (the Company) was incorporated on November 2, 1987 under the laws of the State of New York.

The Company became a registered broker/dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 on January 27, 1988, and a member of the National Association of Securities Dealers, Inc. on March 28, 1988. The Company conducts all its businesses on a fully disclosed basis. All customer security accounts are carried by U.S. Clearing Corporation.

#### Note 2 - Accounting Policies

The accounting policies and practices of the Company conform with generally accepted accounting principles. The significant policies are summarized below:

##### Revenue Recognition

Commissions on all securities transactions are recognized when services are performed.

##### Fixed Assets

Office furnishings are stated at costs and depreciated over their estimated useful lives on a straight-line basis for both financial and federal income tax reporting purposes. Leasehold Improvements are amortized over the term of the office lease.

##### Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consisted of federal, state and city taxes currently due. Deferred tax assets and liabilities were immaterial.

##### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**CATHAY SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

Note 2 - Accounting Policies (continued)

Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", requires the Company to report the fair value of financial instruments, as defined. The Company's assets and liabilities are largely carried at fair value or contracted amounts, which approximate fair value. Assets consist of cash and receivables. Liabilities consist of accounts payable and accrued expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Note 3 - Capital Stock

As of December 31, 2001, the Company had 200 shares of no par value common stock authorized, issued and outstanding.

Note 4 - Provisions for Income Taxes

The Company decided to carry back the net operating loss generated in 2001 and claimed the tax refunds from both the Federal, New York State and City for the past three years. The amount of tax refund \$42,463 represented \$20,600 from federal, \$12,063 from New York State and \$9,800 from New York City.

Note 5 - Commitments

The Company had entered into a five-year office lease agreement expiring on June 30, 2005. The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2001:

Year Ending December 31	Amount
2002	65,558
2003	68,181
2004	70,908
2005	36,149
	-----
	\$240,796
	=====

**CATHAY SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

Note 6 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires that aggregate indebtedness shall not exceed fifteen times net capital. In addition, the Company is required to maintain a minimum net capital of \$50,000. At December 31, 2001, the Company's net capital was \$166,591, which was \$116,591 in excess of the required net capital, and the Company's aggregate indebtedness to net capital ratio was 0.01 to 1.

Note 7 - Financial Instruments With Off-Balance Sheet Risk

The Company introduces all customer transactions in securities traded in U.S. securities markets to another New York Stock Exchange member firm on a fully-disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to non-performance by customer or counterparties.

The Company's exposure to credit risk associated with the non-performance of customers and counterparties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets, which may impair the customer's or counterparty's ability to satisfy their obligations to the Company.

In the event of non-performance the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate non-performance by customers and counterparties in the above situations.

The Company seeks to control the aforementioned risks by requiring customers or counterparties to maintain collateral in compliance with regulatory requirements, the clearing broker's guidelines and industry standards. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral, or to reduce positions, when necessary. The Company also has a policy of reviewing the credit standing of each customer and counterparty with which it conducts business.

Note 8 - Employees Pension Plan

The Company has a qualified defined benefit pension plan, which covers substantially all employees who were employed as of December 31 of the prior year. No contribution to the plan was funded for the year ended December 31, 2001.

**FORM  
X-17A-5**

**FOCUS REPORT**

OMB No. 3235-0123  
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

**PART IIA** 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a)  16      2) Rule 17a-5(b)  17      3) Rule 17a-11  18  
 4) Special request by designated examining authority  19      5) Other  26

NAME OF BROKER-DEALER

CATHAY SECURITIES, INC. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

202 CANAL STREET, SUITE-403 20

(No. and Street)

NEW YORK 21

NEW YORK 22

10013 23

(City)

(State)

(Zip Code)

SEC FILE NO.

8-39247 14

FIRM ID. NO.

21821 15

FOR PERIOD BEGINNING (MM/DD/YY)

10-1-01 24

AND ENDING (MM/DD/YY)

12-31-01 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

RUSERIM S. HASAN 30

(Area Code)—Telephone No.

(212) 285-2261 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

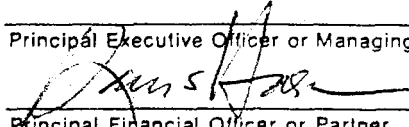
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 21th day of February ~~xx~~ 2002

Manual signatures of:

- 1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner
- 2)   
Principal Financial Officer or Partner
- 3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

10-021821-C1  
 CATHAY SECURITIES, INC.  
 RUSERIM S. HASAN  
 185 CANAL STREET  
 NEW YORK NY  
 SUITE 30213  
 10013

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER **CATHAY SECURITIES INC.**

**N 3**

100

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) **12-31-2001**

SEC FILE NO. **8-39247**

Consolidated		99
Unconsolidated	X	98
		198
		199

**ASSETS**

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash	\$ 46,688	200		\$ 46,688	750
2. Receivables from brokers or dealers:					
A. Clearance account		295			
B. Other	124,168	300	\$ 550	124,168	810
3. Receivables from non-customers		355	600		830
4. Securities and spot commodities owned, at market value:					
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities		424			
E. Spot commodities		430			850
5. Securities and/or other investments not readily marketable:					
A. At cost	\$ 130				
B. At estimated fair value		440	610		860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities	\$ 150				
B. Other securities	\$ 160				
7. Secured demand notes: market value of collateral:					
A. Exempted securities	\$ 170				
B. Other securities	\$ 180				
8. Memberships in exchanges:					
A. Owned, at market	\$ 190				
B. Owned, at cost			650		
C. Contributed for use of the company, at market value			660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670		910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	22,113	680	22,113
11. Other assets		535	62,838	735	62,838
12. TOTAL ASSETS	\$ 170,856	540	\$ 84,951	740	\$ 255,807
					940

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER CATHAY SECURITIES INC.**

as of 12-31-01

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable.....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	1560
B. Other.....	1115	1305	1540
15. Payable to non-customers.....	1155	1355	1610
16. Securities sold not yet purchased, at market value.....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other.....	2,259 1205	1385	2,259 1685
18. Notes and mortgages payable:			
A. Unsecured.....	1210		1690
B. Secured.....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$.....	970		
2. Includes equity subordination (15c3-1 (d)) of .... \$.....	980		
B. Securities borrowings, at market value:...		1410	1720
from outsiders \$.....	990		
C. Pursuant to secured demand note collateral agreements:.....		1420	1730
1. from outsiders: \$.....	1000		
2. Includes equity subordination (15c3-1 (d)) of .... \$.....	1010		
D. Exchange memberships contributed for use of company, at market value.....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes.....	2,259 1220	1440	2,259 1750
20. TOTAL LIABILITIES.....	\$ 1230	\$ 1450	\$ 1760

**Ownership Equity**

21. Sole proprietorship.....		\$ 1770
22. Partnership (limited partners.....)	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock.....		1791
B. Common stock.....		76,200 1792
C. Additional paid-in capital.....		98,800 1793
D. Retained earnings.....		78,548 1794
E. Total.....		253,548 1795
F. Less capital stock in treasury.....		(1796)
24. TOTAL OWNERSHIP EQUITY.....		\$ 253,548 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....		\$ 255,807 1810

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER CATHAY SECURITIES INC.**

For the period (MMDDYY) from 10-1-01 3932 to 12-31-0 393  
 Number of months included in this statement 3 Months 393

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	1,214	3931
b. Commissions on listed option transactions	▼	807	3931
c. All other securities commissions		58,209	3931
d. Total securities commissions		60,230	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups	▼		3955
5. Revenue from sale of investment company shares			3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue		1,927	3995
9. Total revenue	\$	62,157	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers	\$	10,000	4120
11. Other employee compensation and benefits	▼	6,483	4115
12. Commissions paid to other broker-dealers			4140
13. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses			4195
15. Other expenses		29,999	4100
16. Total expenses	\$	46,482	4200

**NET INCOME**

17. Net Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	15,675	4210
18. Provision for Federal income taxes (for parent only)	▼	(20,600)	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of		4238	
20. Extraordinary gains (losses)			4224
a. After Federal income taxes of		4239	
21. Cumulative effect of changes in accounting principles			4225
22. Net Income (loss) after Federal income taxes and extraordinary items	\$	36,275	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	(667)	4211
---------------------------------------------------------------------------------------------------	----	-------	------

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER CATHAY SECURITIES INC.**

as of 12-31-01

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition	\$	253,548	3480
2. Deduct ownership equity not allowable for Net Capital	▼ <sup>19</sup> (		3490
3. Total ownership equity qualified for Net Capital		253,548	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	253,548	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	▼ <sup>17</sup> \$	84,951	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		( 84,951 )	3620
8. Net capital before haircuts on securities positions	▼ <sup>20</sup> \$	168,597	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities	▼ <sup>18</sup>		3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue Concentration			3650
E. Other (List) <u>Good Faith Deposit</u>			3736
10. Net Capital	\$	( 2,006 )	3740
		166,591	3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER **CATHAY SECURITIES INC.**

as of 12-31-01

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	150	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	50,000	3760
14. Excess net capital (line 10 less 13)	\$	116,591	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	▼\$	166,365	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$	2,259	3790
17. Add:			
A. Drafts for immediate credit	▼\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	2,259	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	1%	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%		3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	▼\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$	N/A	3920

**Note:** There are no material differences between the amounts presented above, which are the amounts based on the accompanying audited financial statements, and the amounts reported in the Company's focus report filed in January, 2002.

OMIT PENNIES

- NOTES:**
- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
    1. Minimum dollar net capital requirement, or
    2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
  - (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
  - (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.



**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER CATHAY SECURITIES INC.**

For the period (MMDDYY) from 10-1-01 to 12-31-01

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period .....	\$	217,273	424
A. Net income (loss) .....		36,275	425
B. Additions (Includes non-conforming capital of .....	▼ \$	4262	426
C. Deductions (Includes non-conforming capital of .....	\$	4272	427
2. Balance, end of period (From item 1800) .....	\$	253,548	429

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period .....	▼ \$	N/A	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	N/A	4330

OMIT PENNIE:

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** CATHAY SECURITIES INC.

as of 12-31-01

**Exemptive Provision Under Rule 15c3-3**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 .....	N/A	455
B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained .....	N/A	456
C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm: <u>FLEETSECURITIES, INC.</u> <span style="float: right; border: 1px solid black; padding: 2px;">4335</span> .....		457
D. (k) (3)—Exempted by order of the Commission .....		458

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
▼ 32 4600	4601	4602	4603	4604	4605
▼ 33 4610	4611	4612	4613	4614	4615
▼ 34 4620	4621	4622	4623	4624	4625
▼ 35 4630	4631	4632	4633	4634	4635
▼ 36 4640	4641	4642	4643	4644	4645
▼ 37 4650	4651	4652	4653	4654	4655
▼ 38 4660	4661	4662	4663	4664	4665
▼ 39 4670	4671	4672	4673	4674	4675
▼ 40 4680	4681	4682	4683	4684	4685
▼ 41 4690	4691	4692	4693	4694	4695
TOTAL \$			▼ 42 N/A	4699	

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Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE:      DESCRIPTION
1.            Equity Capital
  2.            Subordinated Liabilities
  3.            Accruals
  4.            15c3-1(c)(2)(iv) Liabilities

FORM  
X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

Report for period beginning 01/01/2001 and ending 12/31/2001  
[8005] [8006]

SEC File Number: 39247  
[8011]

Firm ID: 21821

1. Name of Broker Dealer: CATHAY SECURITIES, INC.  
[8020]

2. Name(s) of broker-dealer(s) merging with respondent during reporting period:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[8053] [8057]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[8054] [8058]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[8055] [8059]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[8056] [8060]

3. Respondent conducts a securities business exclusively with registered broker-dealers: Yes  No  [8073]

4. Respondent is registered as a specialist on a national securities exchange: Yes  No  [8074]

5. Respondent makes markets in the following securities:

(a) equity securities Yes  No  [8075]

(b) municipals Yes  No  [8076]

(c) other debt instruments Yes  No  [8077]

6. Respondent is registered solely as a municipal bond dealer: Yes  No  [8078]

7. Respondent is an insurance company or an affiliate of an insurance company: Yes  No  [8079]

8. Respondent carries its own public accounts: Yes  No  [8084]

9. Respondent's total number of public customer accounts:

(carrying firms filing X-17A-5 Part II only)

(a) Public customer accounts

[8080]

(b) Omnibus accounts

[8081]

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10. Respondent clears its public customer and/or proprietary accounts:

Yes  No  [8085]

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11. Respondent clears its public customer accounts in the following manner:

(a) Direct Mail (New York Stock Exchange Members Only)

[8086]

(b) Self Clearing

[8087]

(c) Omnibus

[8088]

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17a-5

Board of Directors  
Cathay Securities, Inc.

In planning and performing our audit of the financial statements of Cathay Securities, Inc. (the Company), for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemption provisions of Rule 15c3-3.
2. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

Making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-3.

3. Complying with the requirements for prompt payment for securities of Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control and the practices

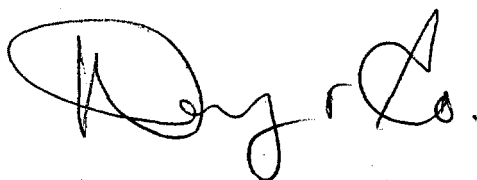
and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risks that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Wong & Co.  
New York, New York  
February 26, 2002

**CATHAY SECURITIES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED  
DECEMBER 31, 2001  
WITH**

**REPORT AND SUPPLEMENTARY REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS**