



SECUR

02021257

MISSION

Washington, D.C. 20549

148

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2001
Estimated average burden hours per response.....	12.00

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

RECEIVED
MAR 13 2002
354
ACTION 8-49111

SEC FILE NUMBER
8-49111

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 January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: PCI*Trade, Inc. dba PCI*Trade Securities

OFFICIAL USE ONLY
FIRM I.D. NO.

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

38363 Fremont Boulevard, Suite E

(No. and Street)

Fremont

CA

94536

(City)

(State)

(Zip Code)

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

Halley Shixiong Liu

(510) 818-9668

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Frank S.K. Cheung

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

310 15th Street

Oakland

CA

94612

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

P

APR 23 2002

FOR OFFICIAL USE ONLY	
	THOMSON FINANCIAL

*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)

BDD

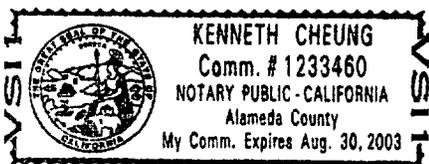
SEC 1410 (05-01)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Handwritten signature

OATH OR AFFIRMATION

I, Shixiong Liu, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PCI*Trade, Inc. dba PCI*Trade Securities, 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:



Signature
President
Title

Kenneth Cheung
Notary Public

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 Proprietors' 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 15c3-3 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.

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

PCI*TRADE, INC.
dba PCI*TRADE SECURITIES
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the year ended December 31, 2001



FRANK S. K. CHEUNG

Certified Public Accountant

310 15th Street, Oakland, CA 94612-3310 U.S.A. Telephone: (510) 893-7003 Fax: (510) 893-7005



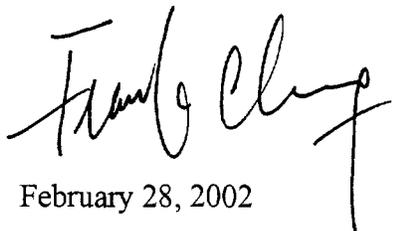
Independent Auditor's Report

Board of Directors
PCI*Trade, Inc.
dba PCI*Trade Securities
Fremont, California

I have audited the accompanying statement of financial condition of PCI*Trade, Inc. dba PCI*Trade Securities as of December 31, 2001, and the related statements of operation and retained earnings, cash flows and change in shareholder's equity 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

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



February 28, 2002

PCI *TRADE., INC.
 dba PCI *TRADE SECURITIES.
 STATEMENT OF FINANCIAL CONDITION
 DECEMBER 31, 2001

ASSETS

Current assets	
Cash	\$ 24,327
Commission receivable	23,525
Other receivable	1,545
Security not readily marketable (at estimated fair value)	20,100
Note receivable	31,000
Prepaid income tax	651
Deferred tax	94
Total current assets	101,242
Fixed assets	
Furniture & fixture	6,434
Equipment	41,210
	47,644
Less accumulated depreciation	(23,116)
	24,528
Other assets	
Deposits with clearing organizations	65,000
Deposits	7,182
Lease cost (net)	6,792
Organization cost (net)	0
	78,974
Total assets	\$ 204,744

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$ 3,708
Commission payable	14,634
Bank borrowing under line of credit	60,134
	78,476
Deferred tax - long term	2,991
Stockholders' equity	
Common stocks, no par, 20,000,000 shares authorized	
17,600 shares issued and outstanding	75,218
Retained earnings	48,059
	123,277
Total liabilities and stockholders' equity	\$ 204,744

See accompanying notes and accountant's report.

PCI *TRADE., INC.
 dba PCI *TRADE SECURITIES.
 STATEMENT OF OPERATION AND RETAINED EARNINGS
 FOR THE YEAR ENDED DECEMBER 31, 2001

Revenues	
Commission	\$ 474,634
Interest income	3,015
Other income	3,630
	<hr/>
Total revenue	481,279
Operating expenses	
Accounting	5,050
Advertising	6,223
Alarm service	300
Bank charge	432
Commission	340,788
Commission refund	6,608
Communication service	15,275
Depreciation and amortization	9,493
Dues and subscription	3,638
Insurance	1,899
Interest expense	3,301
Legal and professional	5,530
Meals and entertainment	4,701
Office expense	5,724
Outside service	5,750
Penalties	280
Postage	1,181
Rent	36,241
Repairs and maintenance	2,920
Tax and license	5,384
Telephone	4,810
Travel	5,976
Software	3,998
Utilities	4,101
	<hr/>
	479,604
	<hr/>
Income before income taxes	1,676
Income tax	
Franchise tax	800
Income tax	(719)
	<hr/>
	81
	<hr/>
Net income	1,595
Retained earnings, at beginning of the year	46,464
	<hr/>
Retained earnings, at end of the year	\$ 48,059

See accompanying notes and accountant's report.

PCI *TRADE., INC.
 dba PCI *TRADE SECURITIES.
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities	
Net income	\$ 1,595
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred taxes	(690)
Amortization of lease cost	916
Depreciation and amortization	9,493
	<u>11,314</u>
Change in working capital assets and liabilities	
Decrease in commission receivable	42,035
Increase in other receivable	(1,545)
Increase in prepaid income tax	(651)
Increase in deposit with clearing organization	(10,000)
Increase in deposits	(2,000)
Decrease in accounts payable	(238)
Decrease in commission payable	(41,094)
Decrease in income taxes payable	(8,655)
	<u>(10,834)</u>
Net cash used by operating activities	
Cash flows from Investing activities	
Issuance of note receivable	<u>(31,000)</u>
Net cash used by investing activities	<u>(31,000)</u>
Cash flows from financing activities	
Proceeds from bank borrowings	81,373
Payment of loan from shareholder	(10,000)
Payment of bank borrowings	<u>(21,239)</u>
Net cash provided in financing activities	<u>50,134</u>
Net Increase in cash balance	8,300
Cash at beginning of year	<u>16,027</u>
Cash at end of year	\$ <u><u>24,327</u></u>
Supplemental disclosures:	
Income tax paid	\$ 10,069
Interest paid	\$ 3,301

See accompanying notes and accountant's report.

dba PCI *TRADE SECURITIES.
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Shares	Amount	Additional Paid in Capital	Retained Earnings	Total
Balance at January 1, 2001	17,600	\$ 65,000	\$ 10,218	\$ 46,464	\$ 121,682
Net income				1,595	1,595
Balance at December 31, 2001	<u>17,600</u>	<u>\$ 65,000</u>	<u>\$ 10,218</u>	<u>\$ 48,059</u>	<u>\$ 123,277</u>

See accompanying notes and accountant's report.

PCI*TRADE INC.
dba PCI*TRADE SECURITIES
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

Note 1 - Summary of significant accounting policies

Business activity

The Company was incorporated in California in January 1996 and operates as a security broker-dealer and is a member with National Association of Securities Dealers, Inc. (NASD). The Company operates through its office in Fremont, California, has two contracts with an outside securities clearance services firms to handle all the company's security transactions.

Revenue recognition

Revenue, which consists primarily commission income, is recorded on a trade-date basis as securities transactions occur.

Fixed assets

Property and equipment are recorded at cost and depreciated over the useful life. Depreciation is provided on straight-line method.

Income tax

Income taxes will be provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of these differences, which will either be taxable when assets and liabilities are recovered or settled.

Management estimates

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

Comprehensive income

For the year ended October 31, 2001, there was no difference between comprehensive income and net income.

Note 2 - Deposits

The Company is required to maintain an initial deposit of \$30,000 and \$25,000 with two clearing organizations respectively in accordance with the Security Deposit Agreement. During the year, the Company made an additional \$10,000 deposit with another clearing organization to the clearing organization for its day trade capacities and transactions.

PCI*TRADE, INC.
dba PCI*TRADE SECURITIES
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

Note 3 - Securities owned

Securities not readily marketable include investment in equity security for which there is no market on a securities exchange, cannot be publicly offered or sold unless registration has been effected under the Security Act of 1933, or that cannot be offered or sold because of other arrangements, restriction, or conditions applicable to the securities or to the Company. At December 31, 2001, these equity security is valued at estimated fair valued.

Note 4 - Short term shareholder borrowing

The Company had a \$10,000 short term borrowing from shareholder as of December 31, 2001. This short term shareholder borrowing is not available in computing net capital under the SEC's uniform net capital rule.

Note 5 - Net capital requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital of not less than \$5,000. At December 31, 2000, the Company had net capital of \$34,376, which was \$29,376 in excess of its required net capital.

Note 6 - Commitments

The Company assumes its ten year office space lease from a related party during the year. The lease will expired on May 31, 2009 and an option to renew for another ten years. Rent expense was \$36,241 for the year ended December 31, 2001. Future minimum lease payment under the noncancelable operating lease obligations as of December 31, 2001 are as follows:

Years ending December 31,

2002	\$ 38,528
2003	40,544
2004	42,477
2005	44,601
2006	46,830
Later years	<u>140,960</u>
	<u>\$ 353,850</u>

PCI*TRADE, INC.
dba PCI*TRADE SECURITIES
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

Note 7 - Line of credit

The Company had a revolving line of credit with a bank for working capital advances of up to \$100,000, expiring May 15, 2002. The line of credit is personally guaranteed by Company's shareholder. All borrowing against the line of credit bear interest at the Wall Street prime rate plus 2%, 6.75% as of December 31, 2001. There was \$60,134 outstanding balance at December 31, 2001.

Note 8 - Income taxes

The components for the provision for income taxes are as follows:

Current:	
Federal	\$ 601
State	<u>800</u>
	<u>1,401</u>
Deferred:	
Long term	1,705
Short term	<u>(385)</u>
	<u>1,320</u>
Total	<u>\$ 81</u>

Note 9 - NASD Regulation Investigation

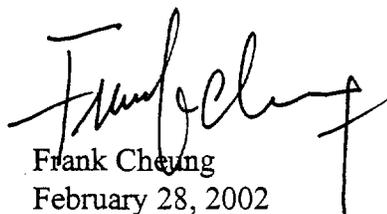
During the year, NASD Regulation conducted a routine examination of the Company and alleged the principal shareholder and officer of the Company violated various rules and regulations, including a purchase of NASDAQ private placement. NASD Regulation may initiate a disciplinary action against the officer of the Company. As of February 28, 2002, there is final outcome or settlement regarding this investigation.

FRANK S.K. CHEUNG
Certified Public Accountant
310 15th Street
Oakland, CA 94612-3310

Independent Auditor's Report on Supplementary Information
Required by Rule 17a-5 of Securities and Exchange Commission

Board of Directors
PCI*Trade, Inc.
Fremont, California

I have audited the accompanying financial statements of PCI*Trade, Inc. dba PCI*Trade Securities as of and for the year ended December 31, 2001 and have issued my report thereon dated February 28, 2002. My audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The accompanying schedule of computation of net capital is not a required part of the basic financial statements of PCI*Trade, Inc. dba PCI*Trade Securities, but is the supplementary information required by Section 17 of the Security Exchange Act of 1934 and Rule 17a-5. 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 related to the basic financial statements taken as a whole.



Frank Cheung
February 28, 2002

PCI*TRADE, INC.
dba PCI*TRADE SECURITIES

SCHEDULE OF COMPUTATION OF NET CAPITAL

DECEMBER 31, 2001

Net worth at end of the period		\$	123,277
Add:	Other allowable credit - deferred income tax payable		<u>2,991</u>
			126,268
Less:	Security not readily marketable	\$	20,100
	Note receivable		31,000
	Fixed assets		24,528
	Other assets		<u>16,264</u>
			<u>91,892</u>
Net capital		\$	<u>34,376</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2000)			
	Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$	63,681
Audit adjustments on:			
	Cash and cash equivalent		(43,256)
	Commission receivable		79
	Note receivable		31,000
	Other receivable		2,245
	Equipment and furniture		(4,127)
	Deposits with clearing organizations		65,000
	Deposits		7,182
	Lease costs		(916)
	Additional liabilities		(51,128)
	Non-qualified assets		(35,384)
	Total adjustments		<u>(29,305)</u>
Net capital per above		\$	<u>34,376</u>

See accompanying accountant's report to supplementary information