

AM 3-22-2005

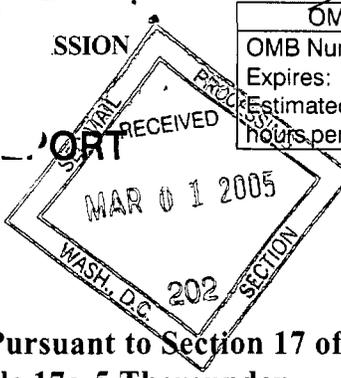
SECUR



05039937

SSION

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



OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

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, 2004 AND ENDING December 31, 2004  
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.)

34260 Xanadu Terrace

(No. and Street)

Fremont

CA

94555

(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

94612-3310

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 23 2005

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)

AM 3-22-05

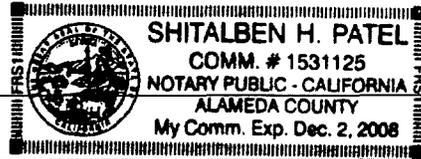
SEC 1410 (06-02)

Potential persons who are to 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/initials

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, 2004, 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:



SUBSCRIBED AND SWORN TO BEFORE ME  
THIS 28th DAY OF February, 2005  
By Shixiong Liu  
[Signature]  
NOTARY PUBLIC

[Signature] 2/28/05  
Signature

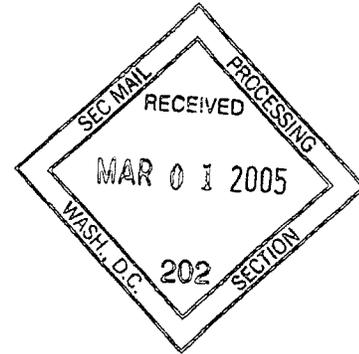
President  
Title

[Signature]  
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, 2004



**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

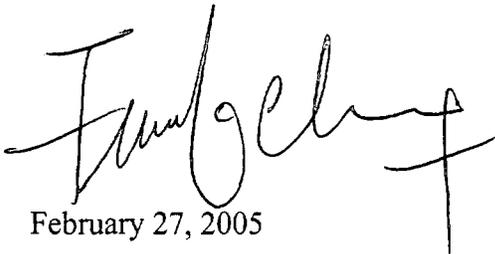
**Independent Auditor's Report**

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, 2004, and the related statements of operation and retained earnings, cash flows and change in shareholders' 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, 2004, and the results of its operation and its cash flows for the year then ended, in conformity with generally accepted accounting principles.



February 27, 2005

PCI \*TRADE, INC.  
dba PCI \*TRADE SECURITIES.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2004

ASSETS

Current assets	
Cash	\$ 7,266
Commission receivable	16,990
Security not readily marketable (at estimated fair value)	<u>45,750</u>
Total current assets	<u>70,006</u>
Fixed assets	
Furniture & fixture	6,434
Equipment	<u>41,210</u>
	47,644
Less accumulated depreciation	<u>(44,707)</u>
	<u>2,937</u>
Other assets	
Deposits with clearing organizations	<u>35,341</u>
	<u>35,341</u>
Total assets	\$ <u><u>108,284</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$ 4,597
Commission payable	1,426
Income tax payable	800
Other payable	12,000
Bank borrowing under line of credit	<u>12,001</u>
	<u>30,824</u>
Stockholders' equity	
Common stocks, no par, 20,000,000 shares authorized	
4,170,000 shares issued and outstanding	120,218
Accumulated deficit	<u>(42,758)</u>
	<u>77,460</u>
Total liabilities and stockholders' equity	\$ <u><u>108,284</u></u>

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, 2004

Revenues	
Commission	\$ 160,059
Interest income	<u>22</u>
Total revenue	<u>160,081</u>
Operating expenses	
Accounting	5,900
Advertising	583
Auto expense	2,581
Bank charge	380
Commission and rebate	78,297
Depreciation and amortization	6,115
Dues and subscription	2,877
Education	1,109
Insurance	1,556
Interest expense	900
Legal and professional	10,918
Meals and entertainment	3,121
Management fee	12,917
Office expense	8,179
Payroll expenses	9,684
Rent	11,182
Repairs and maintenance	3,224
Software	6,950
Tax and license	3,596
Telephone	2,760
Travel	8,294
Worthless warrant	<u>22,875</u>
	<u>203,998</u>
loss before income taxes	<u>(43,917)</u>
Income tax	
Franchise tax	<u>800</u>
	<u>800</u>
Net loss	(44,717)
Retained earnings, at beginning of the year	<u>1,959</u>
Retained earnings, at end of the year	<u>\$ (42,758)</u>

See accompanying notes and accountant's report.

PCI \*TRADE., INC.  
dba PCI \*TRADE SECURITIES.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash flows from operating activities	
Net loss	\$ (44,717)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Loss on security - warrant	22,875
Depreciation and amortization	6,115
	<u>(15,727)</u>
Change in working capital assets and liabilities	
Commission receivable	1,745
Other receivable	1,084
Deposit with clearing organization	(21)
Deposits - other	6,232
Accounts payable	2,100
Commission payable	(5,923)
Other payable	12,000
Income tax payable	800
	<u>2,290</u>
Net cash provided by operating activities	
Cash flows from financing activities	
Payment of bank borrowings	<u>(4,999)</u>
Net cash used in financing activities	
	<u>(4,999)</u>
Net decrease in cash balance	
	(2,709)
Cash at beginning of year	<u>9,975</u>
Cash at end of year	<u>\$ 7,266</u>
Supplemental disclosures:	
Income tax paid	\$ -
Interest paid	\$ 900

See accompanying notes and accountant's report.

PCI \*TRADE., INC.  
 dba PCI \*TRADE SECURITIES.  
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Shares	Amount	Additional Paid in Capital	Retained Earnings	Total
Balance at January 1, 2004	4,170,000	\$ 110,000	\$ 10,218	\$ 1,959	122,177
Net loss				(44,717)	(44,717)
Balance at December 31, 2004	<u>4,170,000</u>	<u>\$ 110,000</u>	<u>\$ 10,218</u>	<u>\$ (42,758)</u>	<u>77,460</u>

See accompanying notes and accountant's report.

PCI\*TRADE INC.  
dba PCI\*TRADE SECURITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

Note 1 - Summary of significant accounting policies

**Business activity**

The Company was incorporated in California in January 1996 and operates as a nonclearing 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 December 31, 2004, there was no difference between comprehensive income and net income.

Note 2 - Deposits

The Company is required to maintain an initial deposit of \$25,000 and \$10,341 with two clearing organizations respectively in accordance with the Security Deposit Agreement.

PCI\*TRADE, INC.  
 dba PCI\*TRADE SECURITIES  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

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, 2004, these equity security is valued at estimated fair valued.

Note 4 - 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, 2004, the Company had net capital of \$28,773, which was \$23,773 in excess of its required net capital.

Note 5 - Other payable

The Shareholder of the Company had advanced to the company through a non-secured recurring line of credit. There was \$12,000 outstanding balance at December 31, 2004. There was no stated interest rate.

Note 6 - Line of credit

The Company had an expired line of credit with a bank. There was \$12,001 outstanding balance at December 31, 2004 bearing an interest rate of 7.25% and no additional borrowing is allowed against the expired line of credit.

Note 7 - Income taxes

The Company's net deferred tax assets are comprised as follows:

Net operating loss	\$ 12,578
Depreciation	( 458)
State tax	<u>134</u>
	12,254
Valuation allowance	<u>( 12,254)</u>
Net deferred assets	<u>\$ 0</u>

PCI\*TRADE, INC.  
dba PCI\*TRADE SECURITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

Note 7 - Income taxes (continued)

The Company had federal and state operating loss carryforwards of \$39,907 and \$87,723 available to reduce its future taxable income. The federal and state operating losses will expired between 2008 to 2024.

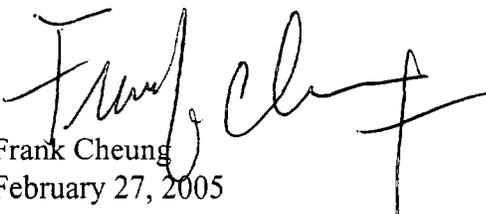
**FRANK S.K. CHEUNG**  
Certified Public Accountant  
310 15th Street  
Oakland, CA 94612-3310

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

Board of Directors  
PCI\*Trade, Inc.  
dba PCI\*Trade Securities  
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, 2004 and have issued my report thereon dated February 27, 2005. 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.

PCI\*Trade, Inc. dba PCI\*Trade Securities is a nonclearing broker-dealer and does not carry customers accounts on its books. The schedules of Computation for Determination of Reserve Requirements and Information for Possession or Control Requirements are not applicable and are exempted from SEC Rule15c3-3.

  
Frank Cheung  
February 27, 2005

PCI\*TRADE, INC.  
dba PCI\*TRADE SECURITIES

SCHEDULE OF COMPUTATION OF NET CAPITAL

DECEMBER 31, 2004

Net worth at end of the year		\$	77,460
Add:	Other allowable credit - deferred income tax payable		<u>-</u>
			77,460
Less:	Security not readily marketable	\$	45,750
	Other current assets		0
	Fixed assets		2,937
	Other assets		<u>0</u>
			48,687
Net capital		\$	<u>28,773</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2004)			
	Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$	<u>34,161</u>
Audit adjustments on:			
	Cash and cash equivalent		713
	Deposits with clearing organizations		342
	Commission receivable		101
	Security not readily marketable		(22,875)
	Equipment and furniture		(6,115)
	Deposits		(5,502)
	Increase of liabilities		(6,544)
	Non-qualified assets		<u>34,492</u>
	Total adjustments		<u>(5,388)</u>
Net capital per above		\$	<u>28,773</u>

See accompanying accountant's report to supplementary information



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

In planning and performing my audit of the financial statements and supplemental schedules of PCI\*Trade, Inc. dba PCI\* Trade Securities (the Company), for the year ended December 31, 2004, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedure that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

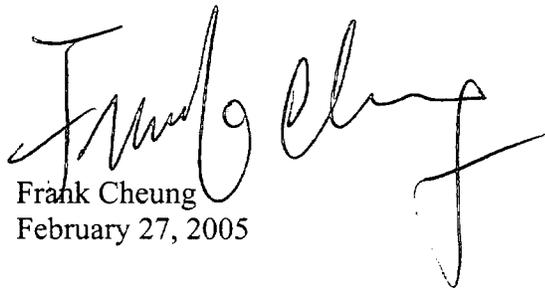
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls 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 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 risk that they may become inadequate because of changes in conditions, or that the effectiveness of their design and operation may deteriorate. My consideration of 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 of 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, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weakness as defined above.

I understand that practices and procedures that accomplish the objective referred to in the second paragraph of this report are considered by the 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2004 to meet SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD 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.



Frank Cheung  
February 27, 2005