

CATHAY MERCHANT GROUP, INC.

FORM 4

(Statement of Changes in Beneficial Ownership)

Filed 2/3/2006 For Period Ending 1/31/2005

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Sector	Healthcare
Fiscal Year	07/31

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FORM 4

[] Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP
OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public
Utility Holding Company Act of 1935 or Section 30(f) of the
Investment Company Act of 1940

1. Name and Address of Reporting Person *			2. Issuer Name and Ticker or Trading Symbol			5. Relationship of Reporting Person(s) to Issuer (Check all applicable)		
KHD HUMBOLDT WEDAG INTERNATIONAL LTD.			CATHAY MERCHANT GROUP, INC. [CMQ]			<input type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner <input type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below)		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (MM/DD/YYYY)					
			1/31/2005					
(Street)			4. If Amendment, Date Original Filed (MM/DD/YYYY)			6. Individual or Joint/Group Filing (Check Applicable Line)		
UNIT 803, 8/F DINA HOUSE, RUTTONJEE CENTRE 11, DUDELL STREET						<input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person		
(City)			(State)			(Zip)		
CENTRAL, K3 00000								

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Trans. Date	2A. Deemed Execution Date, if any	3. Trans. Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code	V	Amount	(A) or (D)	Price				
common stock	1/31/2006		J	(1)	806100	D	\$0	(1)	0	I	By MFC Merchant Bank S.A.
common stock	1/31/2006		J	(1)	3738044	D	\$0	(1)	0	I	By Mass Financial Corp.
common stock	1/31/2006		J	(1)	680000	D	\$0	(1)	0	D	

Table II - Derivative Securities Beneficially Owned (e.g. , puts, calls, warrants, options, convertible securities)

1. Title of Derivate Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Trans. Date	3A. Deemed Execution Date, if any	4. Trans. Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction (s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Convertible debt (3)	\$0 (4)							4/1/2004	3/31/2009	common stock	0 (2) (3)		0 (2) (3)	D	

Explanation of Responses:

- (1) On January 31, 2006, the Reporting Person completed a reorganization and spin-off of its wholly-owned subsidiary, Mass Financial Corp. As part of the reorganization, the Reporting Person transferred its interests in the Issuer to Mass Financial Corp.

Pursuant to a credit facility agreement (the "Credit Facility Agreement") dated for reference April 1, 2004 between MFC Merchant Bank and the Issuer, MFC Merchant Bank will make available to the Issuer, subject to the terms and conditions of the Credit Facility Agreement, until March 31, 2009, a revolving credit facility (the "Credit Facility") in the principal amount of up to \$20,000,000 (the

"Commitment"). As part of MFC Merchant Bank's compensation for the services to be performed by it under the Credit Facility Agreement, MFC Merchant Bank may at any time and from time to time during the term of the Agreement convert the Commitment or any portion of the Credit Facility to shares of common stock of the Issuer. MFC Merchant Bank is not entitled to exercise rights that will cause it to own or control greater than 19.99% of the voting control of the Issuer until such time as the Issuer has received shareholder approval to do so.

- (2) On August 24, 2004, upon MFC Merchant Bank exercising its conversion rights under the Credit Facility Agreement and converted \$1,575,000 of the Commitment at a rate of exchange of \$0.50 per share, the Issuer issued to MFC Merchant Bank 3,150,000 shares in the common stock, representing approximately 18.4% of the Issuer's common stock. On September 16, 2004 shareholder approval was received so that MFC Merchant Bank has the right to convert all of the remaining \$18,425,000 of the Credit Facility into shares of the Issuer.

- (3) The rate of exchange for purposes of calculating the number of shares in the common stock of the Issuer to be exchanged for the Commitment or a portion should be as follows: (amount of Commitment to be converted) divided by (the ten day average of the closing price of the stock of the Issuer).

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KHD HUMBOLDT WEDAG INTERNATIONAL LTD. UNIT 803, 8/F DINA HOUSE RUTTONJEE CENTRE 11, DUDELL STREET CENTRAL, K3 00000		X		

Signatures

/s/ Michael J. Smith

** Signature of Reporting Person

1/2/2006

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

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

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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