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OTC BB:SEIH

August 2005 Newsletter

DALIAN FUSHI Road Show Introduces Redwood Capital's Client To U.S. Public Markets

Redwood Capital, Inc., has embarked upon a three-week road show in the United States to introduce DALIAN FUSHI to key investment contacts. DALIAN FUSHI Bimetallic Products, Ltd., is an investment banking client of S3 Investment's portfolio company, Redwood Capital.

A primary purpose for the road show is to allow DALIAN FUSHI management to meet with small cap and micro cap fund managers in the U.S. that are all targets to fulfill the PIPE (Private Investment in Public Equity) financing that is part of the reverse merger/ financing process. The road show will have presentations in New York City, Boston, Dallas, Denver, Chicago, Los Angeles and San Francisco.

Included in DALIAN FUSHI's public market growth strategy are plans to use new funding to increase its present production to meet a market demand greater than its current capacity, add focus to the international markets and more aggressively leverage its price advantages over the current market leaders to gain market share globally. The company's 3-4 year goal is to be the worldwide market leader in supply of copper covered wire products.

DALIAN FUSHI has outstanding performance historically and great potential for top and bottom line growth moving forward, especially considering its plans for global expansion in the copper wire industry. The focus on institutional investors is one way that Redwood Capital and S3's partners in the U.S. differ from competitors. Management believes it is critical to the long-term performance of these Chinese companies that institutional investors are the backbone of the financing. Institutional investors are key to the long-term goals of DALIAN FUSHI, which include a national market listing in the U.S.

Under terms of its agreement to assist with DALIAN FUSHI's reverse merger into a public U.S. company and financing in U.S. capital markets, Redwood Capital will receive compensation in the form of up-front fees, ongoing fees for strategic planning services, equity in the company and warrant coverage. Moving forward, there will be additional fees for services and equity/warrant participation in follow on public offerings for DALIAN FUSHI. Redwood Capital expects its compensation to result in significant six-figure revenue through the entire process. ✦

SINO UJE June Financial Results Announced

Portfolio Company Revenue Tops \$1 Million for 1st Half of 2005

S3 Investment Company announced the June 2005 financial information for its portfolio investment company, SINO UJE, Ltd. on July 19th. Gross revenue for the month was over \$300,000 (USD), bringing the total amount of SINO's gross revenue for the year to over \$1 million.

"These numbers reflect the continued effectiveness of Managing Director Li Jun and his staff in China," commented Chris Bickel, chairman and chief executive officer of S3 Investment Company. "Revenue numbers have grown from the mid-five figures in

each of the first two months of the year, to averaging approximately \$300,000 for each of the subsequent months of calendar year 2005. Maintaining sales to its existing network of customers in China solidified SINO's revenue numbers from March through June, and the ongoing expansion of sales to new market sectors is expected to result in even better monthly performance over the last half of the calendar year.

"Net profit for June exceeded 22% of gross revenues, which indicates that SINO UJE continues to

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SINO UJE June Figures

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boost its efficiency and control costs. SINO's continued focus will be to improve both the top and bottom line numbers for the company and grow the value of this investment for S3 shareholders," added Bickel.

Detailed financial information on the SINO UJE portfolio investment will be included in the company's upcoming 10-K Annual Report, scheduled for September.

SINO UJE is in the business of distributing hi-tech medical and industrial products to markets throughout China. The company purchases products from Original Equipment Manufacturers (OEMs) in North America, Europe and Japan and re-sells the equipment to end-users through its distribution network in China. The revenue numbers represent sales in the Medical and Industrial divisions of the business and S3 Investments is projecting continued growth throughout the year as its expansion program for SINO UJE is executed. ✦

S3 Investment Company CEO Extends China Trip on Behalf of Portfolio Companies

S3 Investment Company's chairman and chief executive officer, Chris Bickel, has just returned from an extended trip to China in support of the company's two portfolio investments, SINO UJE. Ltd. and Redwood Capital, Inc.

Mr. Bickel originally returned to China in late June to assist Redwood Capital with the signing of a Letter of Intent with Xingye Copper Co. Limited, a client for Redwood's investment banking services. With that agreement completed, Redwood continued its due diligence process, which is expected to culminate with the signing of a Definitive Agreement with Xingye Copper in the near future. During his time in China, Mr. Bickel has also participated in the preparation of offering materials in advance of the U.S. road show now underway for its DALIAN FUSHI investment banking client.

"This is an exciting time for S3 Investments in China, and I am pleased to take some additional time to oversee the progress of Redwood and SINO UJE. Even as Redwood Capital completes the due diligence process in advance of its anticipated Definitive Agreement with Xingye Copper, the company is preparing to introduce this leader in the production of

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Definitive Agreement Expected With Xingye Copper

As announced on August 2nd, Redwood Capital, Inc., has completed its site visits to Xingye Copper Co., Limited, with which it has a Letter of Intent to provide investment banking services, and expects to finish its due diligence within a matter of days. Once this due diligence is complete, Redwood Capital anticipates signing a definitive agreement and beginning a reverse merger process of Xingye Copper into a public U.S. company and obtaining funding in U.S. capital markets.

"We strongly believe that Redwood is closing in on a definitive agreement with Xingye Copper, and our site visits have reaffirmed Redwood's position that Xingye Copper is a gold standard client for the U.S. public markets. The site visits have allowed us to confirm Xingye Copper's current production capabilities, its capacity for future growth, and to meet with key personnel at its facilities," commented company chairman and chief executive officer, Chris Bickel.

Xingye Copper produces and markets copper-based alloy strips that are used primarily in electronics, electrical appliances, communications, networks, home appliances, and other industries. Among its products, the lead-frame material for integrated circuits has become the new material of choice in the high-technology electronics market development in China.

Bickel has spent most of the past three months in China, overseeing Redwood's due diligence process for Xingye, marshalling Dalian Fushi through the reverse merger and financing processes, as well as assisting with work on behalf of the company's other portfolio investment in China, SINO UJE.

He reports, "Both of these subsidiaries doing business in China are now profitable entities, and Redwood, in particular, is seeing no shortage of potential gold standard clients that easily qualify to meet and exceed the standards demanded by the U.S. investment community. SINO UJE, meanwhile, continues to perform ahead of projections, and we expect it will exceed the revenue projections for the year. This is good news for S3 investors, as we anticipate that the value of these investments will increase as their revenues grow." ✦

Extended Trip

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high-precision copper strips to the U.S. financial markets,” commented Bickel. “Redwood has also worked to prepare DALIAN FUSHI for its current U.S road show, as well as lend support to DALIAN FUSHI’s initiative to expand its product distribution into markets around the world.

“SINO UJE continues to move forward and is now seven months into the stage of continuous growth and profit. Key orders have been obtained from strategic/ large medical facilities and orders have been placed with SINO UJE from the industrial sector during this trip.

“At the same time, the recent successes of both SINO UJE and Redwood Capital have resulted in much greater profile and better access to key business contacts in China, to the point that many potential clients are now initiating contact with Redwood and SINO UJE. We expect both companies to be extremely busy as they expand to meet the growing need for their respective services”. ✦

S3 Announces Agreement with Redwood Capital Investment Banking Client, Xingye Copper

On July 6th, S3 Investment Company announced that portfolio investment Redwood Capital, Inc. has signed an initial investment banking agreement with Xingye Copper Co. Limited, a leader in the production of high-precision copper strips with projected after tax profits for the 2005 calendar year of \$9.6 million.

“Swift and effective work by Redwood’s team in China has resulted in a second client much sooner than we had projected and significantly ramps up our revenue expectations for this portfolio investment,” commented Chris Bickel, chairman and chief executive officer of S3 Investment Company. While there are additional due diligence and site visits to be completed, we are confident that Xingye Copper meets our gold standard requirements and will be well-received in the U.S. public markets.”

The initial agreement calls for Redwood to manage a reverse merger of Xingye Copper into a public U.S. company and obtain funding in U.S. capital markets through an initial Private Investment in Public Equity (PIPE) followed by a listing on a U.S. national market and a subsequent secondary registered offering. As with all clients, Redwood Capital is expected to receive compensation for its participation in the process in the form of up front fees, ongoing fees for strategic planning services, equity in the company and warrant coverage. Additional fees for services and equity/warrant participation are anticipated in follow-on public offerings for Xingye Copper.

Xingye Copper produces and markets copper-based alloy strips that are used primarily in electronics, electrical appliances, communications, networks, home appliances, and other industries. Among its products, the lead frame material for integrated circuits has become the new material of choice in the high-technology development of China.

“It has become clear to our Redwood Capital team that Xingye Copper has significant advantages over its competition in terms of technology, equipment, cost control and operational efficiency. While there is room for the company to grow in terms of sales volume, Xingye has the highest margins and has the highest net profit margins in the industry. These were important factors in our decision to move forward with Xingye Copper, and we look forward to reaching a definitive agreement in the next 30 days,” added Mr. Bickel. ✦

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