



# S3 Investments

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OTC BB:SEIH

## Corporate Profile

S3 Investment Company, Inc. is a Business Development Company pursuant to Section 54(c) of the Investment Company Act of 1940.

The Company currently has two active portfolio companies under management - a 51% interest in SINO UJE, Ltd., a non-stocking distributor of high tech Western medical and industrial products into the China market and the wholly owned portfolio investment Redwood Capital, Inc., which specializes in introducing private Chinese companies to the U.S. public markets.

S3 Investments provides funding and management support to these two companies, with the core focus of return value to its investors through stock appreciation and dividend payments.

## Websites

S3 Investment Company  
[www.s3investments.com](http://www.s3investments.com)

SINO UJE  
[www.sinouje.com](http://www.sinouje.com)

Redwood Capital  
[www.redcapinc.com](http://www.redcapinc.com)

## September News

9-29: S3 Investments Issues Statement on Filing NT 10-K

9-22: S3 Investments Announces Resignation of Director

9-13: S3 Investments Executive VP Arrives in China

9-07: S3 Investments Announces Redwood Capital Agreement with Jaso Holdings

9-06: S3 Investments Issues September Newsletter

9-01: S3 Investments Files Preliminary 14A Proxy Statement

## Contact

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## S3 Investment Company Proposes Change in Business Structure with Filing of Preliminary 14A

*Issue Expected to Come Before Shareholders at Special Meeting*

S3 Investment Company, Inc. has filed a 14A Preliminary Proxy Statement with the Securities and Exchange Commission requesting shareholder votes on a proposal that would authorize the Board of Directors to withdraw the Company's election to be treated as a business development company pursuant to the Investment Company Act of 1940.

A subsequent 14A Definitive Proxy Statement will invite shareholders of record to attend a special meeting where a proposal to withdraw the election would be considered and voted upon. The Definitive Proxy, which the Company expects to have filed in the near term, will be sent to shareholders of record and include a specific meeting date, time and location for the meeting.

In announcing the filing of the Preliminary 14A, Chris Bickel, chairman and chief executive officer of S3 Investment Company, Inc., said, "Once the Definitive 14A is filed and a date, time and location are finalized, we hope that as many shareholders as possible will attend the special meeting and that those who cannot attend will return their proxies. S3 would like all of its shareholders to participate and exercise their voice in determining the future of the Company."

The Board of Directors determined that in the current environment it would be better served to focus its efforts on the operation of businesses rather than act as a passive investor. In consideration of the planned future operations of the Company and its existing operations, the Board has evaluated and discussed the feasibility of the Company continuing as a business development company.

The Board believes that given the changing nature of the Company's business and investment focus from investing, reinvesting, owning, holding, or trading in investment securities toward that of an operating company whose focus will be on acquisitions of controlling investments in operating companies and assets, that the regulatory regime governing business development companies is no longer appropriate and will hinder the Company's future growth.

"It is the Board's belief that the Company's portfolio investments have developed to the point that they can function and continue to grow without significant additional capital infusion from S3 Investment Company. The progress of our two major portfolio holdings is a major factor in the Board's decision to withdraw its BDC election," added Mr. Bickel.

S3 Investment first elected to be a business development company by filing an N-54 with the S.E.C. in April 2004 and has operated as a closed-end investment fund since that time.

*(continued on page 3)*

## Inside This Issue

Investor Forum .....	pg. 2
CEO Message .....	pg. 2
VP Trip to China .....	pg. 2
Jaso Holdings Agreement .....	pg. 4

## Greetings from the CEO

October 11, 2005

*I hope that our shareholders will find S3 Investment Company's newly redesigned newsletter to be an informative summary of September's events. A major focus of this publication will be to regularly include new features that allow for more direct contact between the Company and its investor base.*

*As part of this effort, I am encouraging shareholders to submit questions to [investors@s3investments.com](mailto:investors@s3investments.com) (see Investor Forum information below). Each month, I will personally answer 1-2 selected questions that we believe may be of interest to our entire shareholder community. Since I was appointed Chairman and Chief Executive Officer just over a year ago, we have made it our practice to allow shareholders the opportunity to ask hard questions, either live on regularly-scheduled conference calls or now through newsletter features such as our Investor Forum.*

*Our filing of a 14A Preliminary Information Statement at the beginning of this month has rightfully been a topic of extreme interest to our shareholders. The Board's decision to put forward a proposal to withdraw our election to be treated as a business development company was made after considering how the change would affect both the Company and its many stockholders.*

*As stated in the Preliminary proxy, the Board believes that successful passage of the proposal is in the best interest of the Company and will allow it to grow more effectively. Clearly, the potential for future growth with fewer obstacles is in the best interest of individual shareholders as well.*

*Once presented with the proxy, shareholders should vote based on what they believe is correct, but we do ask that all shareholders take the time to submit their proxy, no matter how they vote on the proposal.*

*Beyond the proxy, S3 management is extremely pleased with how our two active portfolio investments are growing and are expecting sustained revenue production in the coming months. SINO UJE continues to expand its customer base and close sales through its distribution network in China. With the close of the Dalian Fushi reverse merger imminent, and two additional clients for Redwood Capital's investment banking services being prepared for entrance into the U.S. public markets, Redwood will collect a significant amount of revenue from its participation in these deals.*

*We would like to thank each of you for your continued support and hope that you share in management's enthusiasm for the future of S3 Investment Company.*

Best regards,

Chris Bickel - Chairman/CEO

## Executive VP Brad Smith Travels to China

In early September, S3 Investment Executive Vice President Bradley Smith embarked upon a two-week trip to China where he met with management of S3's portfolio investments, SINO UJE, Ltd. and Redwood Capital, Inc., participated in a number of management tasks and received progress reports on the companies' revenue growth during the current quarter.



**S3 Investments Executive Vice President Brad Smith with SINO UJE Managing Director Li Jun at Expo near Beijing**

"The primary purpose for my trip to China is to receive detailed information on the current operations of Redwood Capital and SINO UJE, so that S3 Investments can continue to provide whatever resources are needed to further the impressive growth that these companies have achieved in recent months. In addition to this general goal, there are several specific tasks that we will complete during this trip," commented Mr. Smith upon his arrival in Beijing.

At the Beijing registered office of Redwood Capital, Mr. Smith participated in the interview process to fill a key

*(continued on page 3)*

### Investor Forum

**S3 Investments is providing an opportunity for its shareholders to submit questions to CEO Chris Bickel. In each monthly newsletter, Mr. Bickel will answer a selected question with the goal of keeping our investors better informed and addressing inquiries that may be of interest to large numbers of S3 stockholders.**

**Questions should be submitted by email to [investors@s3investments.com](mailto:investors@s3investments.com) or by telephone to 951-587-8072. The first Investor Forum will appear in the November 2005 newsletter.**

## Preliminary 14A Filed

*(continued from page 1)*

"The Company encourages our shareholders to monitor all announcements issued by the Company, which will cover the filing of the Definitive 14A and details of the date, time and location for the special meeting," stated Mr. Bickel.

In addition to the development of its subsidiary companies, S3 Investment Company was notified by a staff attorney at the Securities and Exchange Commission that an agreement the Company entered into with YaSheng Group has resulted in the creation of "senior securities" as defined by the Investment Company Act of 1940. The staff of the S.E.C. believes that the agreement stipulating YaSheng Group will maintain a 5% non-dilutive interest in the common stock of the Company gives YaSheng Group a senior position. This interpretation could create instances where the Company would not be in compliance with Section 18 of the Investment Company Act of 1940, which requires that the Company maintain net assets to senior security coverage of at least 200%.

"While we believe that the Company remains in compliance with the Investment Company Act of 1940, the Board has determined that in the current environment, continuing to be regulated as a business development company is no longer appropriate and will hinder the Company's future

**"The Board believes that given the growth of subsidiary holdings SINO UJE, Ltd. and Redwood Capital, Inc., the Company would be better served to focus its efforts on the operation of these businesses, rather than act as a passive investor."**

Chris Bickel,  
S3 Investments CEO

growth," commented Mr. Bickel. "The Board believes that given the growth of subsidiary holdings SINO UJE and Redwood Capital, the Company would be better served to focus its efforts on the operation of these businesses, rather than act as a passive investor."

The Company hopes to gain approval of its Definitive 14C Information Statement and file it with the Securities and Exchange Commission shortly.

"We look forward to seeing those shareholders who can attend the special meeting once it is scheduled," added Mr. Bickel.

## VP Completes Trip to China

*(continued from page 2)*

vacant position for Redwood, that of General Manager/Chief Representative. After two weeks of interviews, Redwood Capital hired Mr. Miao Yang whose General Manager title includes responsibility for the sourcing of new Chinese clients as well as managing the relationship up to, through, and after the reverse merger/financing transaction. As Chief Representative Mr. Miao is tasked with managing the day-to-day operations of the Beijing office, as well as overseeing the due diligence process for prospective Redwood clients, including research, initial accounting and financial analysis of potential Chinese client companies. The two positions Mr. Miao is filling may be split between two different employees in the future, and the company has also hired additional outside consultants to support Redwood's work in the Beijing office.

"Mr. Miao was chosen out of a pool of highly qualified candidates, and we have every confidence that Redwood Capital has secured an experienced professional who will play a critical role in expanding the business prospects, increasing the revenue potential and growing the portfolio value of Redwood," stated Mr. Smith.



Beijing Building that Houses the Redwood Capital registered office

"In the ten months since its acquisition by S3, Redwood Capital has rapidly developed a highly effective system to target and reach agreement with investment banking clients that are now in the process of entering the U.S. capital markets, as well as several additional opportunities that are currently in the pipeline. This progress has been excellent for Redwood's revenue growth, and has made it necessary to expand the capacity of Redwood's Beijing office," he added.

After the interviews at the Redwood Capital offices were complete, Mr. Smith attended a medical equipment exposition with SINO UJE at a hotel and convention center just north of Beijing. The expo was attended by several of the leading medical equipment companies in the world, specifically in the imaging, diagnostic and treatment machine supply sector, including General

*(continued on page 4)*

All statements included in this newsletter, including statements regarding potential future plans and objectives of S3 Investments are forward-looking statements. Such statements are necessarily subject to risks and uncertainties, some of which are significant in scope and nature beyond S3's control. There can be no assurance that such statements will prove accurate. Actual results and future events could differ materially from those anticipated in such statements depending on many factors. Historical results are not necessarily indicative of future performance.

# Redwood Capital Begins Investment Banking Relationship with Jaso Holdings

## Third Redwood Client Begins Preparation for U.S. Market Launch

In early September, S3 Investments' portfolio company Redwood Capital Inc. signed an initial investment banking agreement with Jaso Holdings, Limited, one of the largest high-value property development, construction and management firms in the cities of Shanghai and Suzhou, China. Jaso Holdings has reported over \$78 million in 2004 total revenues and is projecting over \$100 million in 2005.

The initial agreement calls for Redwood Capital to manage a reverse merger of Jaso Holdings 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.

This is the third announced client for Redwood Capital's investment banking services since April 2005.

As with all clients, Redwood Capital is expected to receive compensation for its participation 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 Jaso Holdings.

"Redwood Capital has identified Jaso Holdings as an ideal candidate that meets our gold-standard requirements for entry in the U.S. public markets, and we are pleased to have Redwood's third investment banking client signed and in the pipeline for a U.S. listing," commented Brad Smith, executive vice president of S3 Investment Company.

"While the final numbers will vary depending on the amount of the investment offering and the future value of each company's stock, Redwood Capital stands to generate six-figure revenue through each client's reverse merger process as well as equity in the

company and subsequent warrant coverage," added Mr. Smith.

Jaso Holdings is one of the largest property developers with its own construction capability in Shanghai and Suzhou. The company principally engages in the development and sale of high value commercial, industrial and residential properties, as well as ancillary property management services. The company's 2004 net income topped 7.5 million and it projects over 10 million in net income for 2005.

"We look forward to completing the remaining due diligence and site visits with Jaso Holdings, so that Redwood can enter into a definitive agreement and begin introducing this client to the U.S investment community," added Mr. Smith.

"We anticipate that Jaso Holdings will follow a path similar to Redwood's previous two client companies and we are extremely please to have such a strong candidate for a listing on a U.S. exchange," stated Chris Bickel, chief executive officer of S3 Investment Company.

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## Brad Smith Returns from China Trip

*(continued from page 3)*

Electric, Siemens, and Toshiba.

"SINO UJE had a nicely positioned booth that was well received during this event," Mr. Smith reported. "SINO continues to expand its business and grow revenues, and we look forward to reporting its revenue numbers from the current quarter," stated Mr. Smith

"Much was accomplished during this trip to China, and I am happy to have seen both the Redwood and SINO teams in action. S3 anticipates continued growth of these portfolio investments as we work to increase their value on behalf of our shareholders," added Mr. Smith.

### S3 Investment Company Portfolio

(Active Portfolio Companies)



-- 51% EQUITY INTEREST

[www.sinouje.com](http://www.sinouje.com)



Redwood 紅  
Capital 木

-- 100% EQUITY INTEREST

[www.redcapinc.com](http://www.redcapinc.com)