



S3 Investments

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OTC BB:SEIH

JANUARY 2006

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 returning value to its investors through consistent stock appreciation and periodic dividend payments.

Websites

S3 Investment Company
www.s3investments.com

SINO UJE
www.sinouje.com

Redwood Capital
www.redcapinc.com

December News

12/13 - S3 Investment Company Announces Return of SINO UJE Vice President from China trip

12/09 - S3 Investment Company Releases December Newsletter

12/08 - S3 Investment Company Appoints New Director

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S3 Investment Company - 2005 in Review

S3 Investment Company, Inc. had an eventful 2005 calendar year, reaching a number of significant milestones as it developed its portfolio investments to the point that they are now expected to function as successful profitable subsidiaries as S3 transitions out of its business development company period and into that of an operating company.

As the 2005 calendar year dawned, S3 was extremely optimistic regarding its short and long term prospects. The company was expecting that its acquisition of TSPartner and the creation of a new portfolio investment, Secure System Solutions, would bring revenues from the marketing of the COMPLY healthcare compliance software solution. Unfortunately, the acquisition had to be unwound, and S3 was left without this potential revenue stream very early in the year.



SINO UJE Managing Director Li Jun at a 2005 medical trade event

At the same time, S3 remained focused on providing the financing and support for portfolio investment SINO UJE to expand its business of distributing high tech Western medical and industrial equipment into the China market. SINO UJE revenues grew each month in the first quarter of 2005, almost immediately outpacing projections set forth by S3 management at the beginning of the year. Much of this success could be attributed to increased capital resources, which allowed SINO UJE additional purchasing power and resulted in the doubling of sales volume in a single month early in 2005.

Building on that first quarter success, SINO UJE experienced sustained growth throughout 2005. While doubling sales volume in a single month was the exception, SINO UJE outperformed projections for each quarter in 2005 and developed to the point that S3 expects to receive regular repayments of its investment capital in 2006.

Repayment to S3 from both of its active portfolio investments are expected to be an important cornerstone of the Company's business in 2006. These repayments will contribute to covering overhead and expenses in the parent company, making S3 and its subsidiaries completely self-sufficient for the first time in its history. The repayment of capital can also potentially be used to expand S3's holdings to include new subsidiaries that bring value to S3 and its shareholders.

The growth of SINO UJE is expected to continue in 2006 as it adds new suppliers that bring additional products to distribute to an immense and waiting

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Greetings from the CEO

January 10, 2006
Temecula, California, USA

I am pleased to again address our newsletter readers, this month introducing our 2005 year-in-review issue. The 2005 calendar year was an extremely active one for S3 Investment Company, so we decided to take this opportunity to review some of the more important events that occurred last year.

When the 2005 calendar year began, there was little revenue being generated by S3's portfolio investments, but each subsequent quarter has seen improvement, and our two active portfolio investments have developed to the point that they are beginning to repay investment capital back to S3. These repayments are expected to take on even greater significance as S3 moves forward as an operating company in 2006.

Growth in our portfolio investments was a major focus in 2005, and we expect to continue in that same vein in 2006. That said, we anticipate that the proposed change in S3's business structure to no longer be regulated as a business development company and to function as an operating company will allow shareholders to gain a better understanding of the financial performance of SINO UJE and Redwood Capital. Specifically, operating companies consolidate the financial information of their subsidiary companies, so more detail on the financial performance of SINO UJE and Redwood Capital will be available on a quarterly basis, at minimum.

S3 management will welcome this change, since both of our current portfolio investments are experiencing brisk business and are forecasting further growth in 2006. SINO UJE is planning to add new suppliers of high tech western medical and industrial equipment, as well as expanding its distribution network in China. With the successful reverse merger of its first client into a U.S. public company, Redwood Capital expects to attract additional private Chinese companies as clients.

Coming into the new year, we are also pleased to have added strong leadership to the S3 management team, including Gary Nerison as Independent Director and my father, Jim Bickel, who has acted as SINO UJE's Vice President of Business Development over the past several years, taking on a more prominent role in the management of S3.

I have great optimism as S3 begins 2006 with a clear direction, subsidiaries that are generating healthy revenues and a company positioned for even greater growth.

*Best regards,
Chris Bickel - Chairman/CEO*

The Year in Review - 2005

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market in China. SINO UJE will also augment its distribution network, bringing more customers and closing a greater number of orders than ever before.

S3's other portfolio investment is Redwood Capital, Inc., a firm that assists private Chinese companies in entering U.S. capital markets. Redwood Capital signed three client companies in 2005, one of which was on the verge of successfully completing its reverse merger into a U.S. public company as 2005 ended. Redwood Capital's clients are targeted for mergers into U.S. public "shell" companies and large capital raises through U.S. investment resources.



**Beijing Building that Houses
Redwood Capital's offices**

Not only will Redwood Capital gain significant revenues in the form of fees through the successful entrance of its first client into the U.S. public markets, but the next Redwood Capital client is moving forward in this process as well. Redwood Capital expects that a second client company will complete offering materials and begin its introduction to key investment contacts through road shows and other scheduled events conducted in the United States in the first quarter of calendar year 2006.

Much of the last half of 2005 was focused on S3's efforts to withdraw its election to be regulated as a business development company. A 14A Preliminary Proxy Statement, which explained the Board's rationale for pursuing this course of action, was first filed back in August 2005.

The Company explained that its Board had determined that the current regulatory environment would make being regulated as a business development company no longer appropriate for S3 and would hinder its future growth. The Board expressed the belief 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

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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.

Investor Forum

The Investor Forum addresses a question submitted by one or more of the Company's shareholders during the previous month. The question below was answered by S3 Investment Company's chairman and chief executive officer, Chris Bickel.

Q. Could you please explain the status of the 14A Proxy Statement and Special meeting of Shareholders? Specifically, has the meeting date of February 13, 2006 been finalized and will I be receiving my Proxy anytime soon?

A. The process of finalizing S3's Proxy Statement for the Special Meeting of Shareholders is not yet complete, and we expect to file a new 14A Definitive Proxy Statement very shortly. I understand why there is some confusion over this process, and I am happy to be able to address the issue in our newsletter.

The Proxy is currently under review by the S.E.C., and, once it has been approved, we will file a new Definitive Proxy Statement, which will include a revised date for the Special Meeting of Shareholders. The Proxy will also set a new date for the mailing of the Proxy to shareholders of record and instructions for those who cannot attend the meeting and wish to submit their votes by mail.

S3 filed its first Proxy with a proposal to withdraw its election to be regulated as a business development company back in August 2005. We had hoped to have had our stockholders meeting by mid-November and be structured as an operating company by the beginning of 2006.

S3 management felt that with two revenue generating subsidiaries, both positioned for significant growth in 2006, the Company could move successfully forward as an operating company with little need for additional capital. While there has been some delay as the S.E.C. review and approval of the Proxy has taken much

longer than we anticipated, S3 still believes that once the B.D.C. withdrawal is complete, the Company can move into a growth phase and bring value to its shareholders.

While we do not control the review and approval process, we are committed to remaining focused on filing a Definitive Proxy in the very near future, holding our Special Meeting of Shareholders, and, assuming the proposal is approved, becoming an operating company.

We further commit to keeping shareholders apprised of any developments in this process through the issuance of press releases on an appropriate timetable.

Once Proxies are mailed, we will be encouraging shareholders to take the opportunity to impact the future direction of the Company by returning their Proxies and/or attending the meeting in person. We believe that this is too large a decision to be made by anything less than a large majority of stockholders, who are, after all, the real owners of S3 Investment Company.

We also look forward to providing more detail on the recent milestones that have been achieved by both SINO UJE and Redwood Capital, so shareholders can have a better picture of the activities of S3's current portfolio companies.

I hope this response has helped to clarify what is going on with the 14A Proxy Statement. S3 is subject to the same process that all public companies must undergo, but each situation is unique, so there is no set timeframe for completion of the process. I encourage shareholders who have additional questions or would like to discuss this issue further to please contact our Investor Relations representatives at 951-587-8072 or investors@s3investments.com.

S3 Investment Company Portfolio

(Active Portfolio Companies)



www.sinouje.com

51% EQUITY INTEREST



Redwood Capital 紅木

www.redcapinc.com

100% EQUITY INTEREST

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these businesses, rather than act as a passive investor.

Since the initial Preliminary 14A was filed, a sub-sequent Definitive 14A Proxy Statement was filed, but the process of Securities and Exchange Commission (S.E.C.) approval has caused a delay in finalizing a date and time for the Special Meeting of Shareholders. As a result, the Company expects that a new, S.E.C. approved, Definitive 14A will be filed in January 2006 and that a meeting will be held in late February or early March 2006.

"Needless to say, we will be issuing a press release - or more likely a series of press releases - once a Definitive Proxy Statement has gained S.E.C. approval and a meeting time and date has been definitively determined," stated S3 CEO Chris Bickel.

"It is no secret that S3 has a significant number of shares of common stock currently issued and out-standing, and management realizes that it will take a concerted effort to reach a majority of votes represented at the meeting or by proxy for a quorum will be present. Without a quorum, no business can be conducted, and S3 will be required to continue the proxy process.

We are looking forward to having the future of S3 determined, so we can focus our efforts on the operations of SINO UJE and Redwood Capital. Any neglect of these businesses could result in lower returns to S3 and delays in receiving revenues from each of these subsidiaries.

"Shareholders will be encouraged to vote according to what they believe will be best for S3 and its stockholders, but we are hoping to avoid, at minimum, the additional expense if repeated solicitation of shareholder votes is required to reach a quorum," said Mr. Bickel.

S3's growth in 2005 has clearly been significant, but the Company is looking forward to establishing greater stability in 2006. The Company will focus on improving both the top and bottom line numbers for SINO UJE and Redwood Capital, in addition to showing revenues from these subsidiaries and payment to S3. Beyond just the success of its two portfolio companies, S3 management is expected to pursue all possible methods to improve the market value of the Company's common stock.

"Our focus during much of 2005 had to be, unfortunately, the survival of S3. This was primarily

due to the staggering amount of liabilities that S3 had on its books when current management took over. Now that we have mitigated the vast majority of those liabilities and built the revenues of SINO UJE and Redwood to the point that we expect them to be making payments to S3 throughout 2006, we can concentrate on methods to improve the performance of our stock and return value to S3 shareholders," said Mr. Bickel.

Clearly, management expects that 2006 will be an extremely active and successful year in the development of S3 Investment Company.

S3 Makes Changes to Management Team

On December 08, 2005, S3 announced that the Company's Board of Directors appointed Mr. Gary Nerison as a member of the Board of Directors, Audit Committee and Investment Committee to replace former Director Dennis Keating. Mr. Nerison was appointed to a twelve-month term on December 5, 2005. After the appointment, S3's Board consisted of two independent Board members, Ted Tanski and Mr. Nerison.

Mr. Nerison comes to S3 as an experienced entrepreneur in commercial real estate and loan brokerage companies. With his rich business commercial real estate background over the last 36 years, Mr. Nerison has initiated and led to growth several commercial real estate and loan brokerage companies. In 1998, he founded a loan brokerage firm placing venture loans for new business, which he still currently manages. Since 2002, he has been the co-founder and president of World Health and Education Foundation, a charitable organization. Mr. Nerison attended Augustana College in Sioux Falls, South Dakota with a Major in Economics.

Commenting on the appointment, S3 chief executive officer and chairman of the board Chris Bickel stated, "We are pleased to have Gary Nerison join S3 as a member of the Board. His experience will be of vital importance as S3 moves forward with its transition to an operating company. Oversight and guidance from the Board continues to be critical elements of S3's organizational structure, and we believe Gary will make significant contributions in these areas.

"With Mr. Nerison's appointment, S3 again has a majority independent Board," added Mr. Bickel.

In the same announcement, S3 reported the resignation of Brad Smith as the Company's executive vice president and announced that Jim Bickel, VP - Business Development for SINO UJE, would take over most of Mr. Smith's responsibilities with Redwood Capital.