



S3 Investments

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OTC BB:SEIH

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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

October News

10/26/05 - S3 Investment Company CEO Updates Shareholders on Status of Portfolio Investments and Proxy Statement

10/14/05 - S3 Investment Company to File 10-K Annual Report with Financial Results

10/11/05 - S3 Investment Company Executive VP Completes China Trip in Support of Portfolio Companies

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S3 Investment Company Files 10-K Annual Report for 2005 Fiscal Year

S3 Investment Company, Inc. completed and filed with the Securities and Exchange Commission its 10-K Annual Report with audited financial statements on Friday, October 14, 2005. The filing had been delayed past its original September 28th deadline due to issues related to the Company's independent auditing firm. An extension was filed, giving S3 an additional 15 days to complete the filing without consequence.

The 10-K reported the progress of the Company and its portfolio investments, including an increase in total assets and a reduction in total liabilities for fiscal year 2005 over fiscal year 2004.

Included in the Annual Report was a disclosure that S3 had discontinued the operations of its Securesoft Systems portfolio investment during the last quarter of the 2005 fiscal year, which ended on June 30, 2005. Incorporated in September 1999 and acquired by the Company in April 2003,, Securesoft Systems was founded to develop, market and sell enterprise compliance and risk management software solutions.

Since the acquisition of TSPartner was unwound in early February 2005, S3 has pursued alternative channels to market and provide technical support for Securesoft's HIPAA (Health Portability and Accountability Act) compliance solution. While there has not been a satisfactory marketing partner identified that might license the software solution, it is possible that the value of such a product might allow for such an arrangement in the future. At this point, the Company decided to eliminate any expenses related to Securesoft Systems.

The Annual Report also discussed the Company's decision to file 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, which is currently under review by the Commission, 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 special meeting.

"With our focus on the filing of the 10-K Annual Report and our continued attention on finalizing a Definitive 14A so that our shareholders can vote on the future

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Greetings from the CEO

November 04, 2005
Temecula, CA

I would again like to thank our shareholders for taking the time to read S3's monthly newsletter and hope it will provide an effective update on the recent activities and current status of the Company.

The November issue includes the first question we are addressing through the Investor Forum (page 3), which is related to the topic of payback to S3 from its portfolio companies. Obviously, we believe this is an issue that is of interest to large segment of our shareholders, so we thought the Investor Forum would be an ideal venue to provide the answer. I am pleased to report progress on payback to S3 and hope that stockholders will share my enthusiasm on this subject.

Beyond the first Investor Forum question and answer provided in this newsletter, I will continue to encourage shareholders to submit additional questions by email to investors@s3investments.com, so that we can address topics of widespread interest in future newsletters.

Another reason I am pleased to release the November newsletter at this time is that S3 has not issued its usual amount of news over the past two months due to our focus on both the filing of the Annual Report and our work to finalize a Definitive 14A Proxy Statement.

Clearly, the Board's decision to put forward a proposal to withdraw our election to be treated as a business development company (BDC) is an event that has such a significant impact on the future of the Company that it has taken a great deal of time and attention from our entire management team. Shareholders should rest assured, however, that we are still firmly focused on the continued development of our two active portfolio companies. Growth is still of primary importance, as is identifying and executing methods through which the Company can return value to its shareholders.

We ask that those who are invested in the future success of the Company watch closely for the filing of a Definitive 14A in the near future, so that as large a number of stockholders as possible participate in voting on the proposal.

I hope that the November investor newsletter provides useful information to readers, and I thank each of you for your continued interest in S3 Investment Company.

Best regards,

Chris Bickel - Chairman/CEO

S3 Files Annual Report

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direction and structure of the Company, we have not been able to provide the type of updates on our two active portfolio investments, Redwood Capital, Inc. and SINO UJE, Ltd., as we have done in the past," stated Chris Bickel, chairman and chief executive officer of S3.

"We regret that these other issues have taken such an inordinate amount of time and focus away from the very positive progress of both SINO UJE and Redwood Capital. As we continue to push forward on the 14A and plan for a Special Meeting of Shareholders, management will also do its best to keep investors informed on the milestones reached by our portfolio companies," said Mr. Bickel.

Executive VP Brad Smith Returns from Most Recent China Trip

Shortly after completing a trip to China during the month of September, S3 Investment Executive Vice President Bradley Smith returned to China in October to oversee activities at the Beijing registered offices of S3's portfolio investment, Redwood Capital, Inc.

A primary purpose of Mr. Smith's visit was to monitor the transition of Redwood's new General Manager and Chief Representative, Mr. Miao Yang, into his new position.

Mr. Miao, who was hired on Mr. Smith's last trip to China, is responsible for include the sourcing of new Chinese clients for reverse mergers into public U.S. companies and the accompanying financing transactions, is in the process of identifying additional potential clients for Redwood Capital.

"Mr. Miao has certainly hit the ground running," commented Mr. Smith. "In the short time since he came aboard as General Manager and Chief Representative at Redwood Capital, he has already found and gathered initial information on several excellent prospects for the company's investment banking program."

"While in Beijing, I was able to review the first round of information on these private Chinese companies.

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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

S3 Investment Company is pleased to introduce in this month's newsletter a new feature called the Investor Forum. Each month an investor question received by our investor relations department will be addressed by company management. The question below was answered by CEO Chris Bickel.

Q. When are SEIH's portfolio companies going to begin making payments back to SEIH? Is this expected to occur in the foreseeable future and how will this affect SEIH?

A. Through the support of S3, both in financing and management assistance, our two active portfolio companies have grown into robust, revenue generating businesses. As a result, we are expecting that the first payments back to S3 will occur very shortly - and certainly in the month of November.

We anticipate that the first repayment of capital invested into SINO UJE within two weeks and subsequent payments will be made back to S3 on a monthly basis. Shareholders should look for more specific information in future press releases issued by S3.

Redwood Capital has three clients for its investment banking services and fees that are to be generated by each of these deals, and while there is no specific payment schedule in place, as Redwood develops, the expectation is that its revenues would be used to support the operations of S3 Investment Company in the form of re-payment of capital invested during Redwood's early stage.

As an investment fund, one of S3's major goals was to develop to the point that it would return value to shareholders through dividend payments. With passage of the proposal in the Preliminary 14A Proxy, S3 would again become an operating company, but the focus would remain on returning value to shareholders, possibly through dividends.

VP Brad Smith Returns from China Trip

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There is still quite a bit of due diligence to be undertaken before initial agreements are signed, but if his first several weeks with the company are any indication, we are confident that Redwood will maintain brisk deal flow with Mr. Miao at the helm," added Mr. Smith.

In addition to his presence at the Redwood Capital offices, Mr. Smith met with Li Jun, Managing Director of SINO UJE, Ltd., the other of S3's portfolio investments doing business in China.

"As usual, it was a pleasure to see Mr. Li and to get an update on the activities of SINO UJE," said Mr. Smith. "It was no surprise that Mr. Li presented a thorough report on SINO UJE's recent progress and his detailed plans for the further expansion of this portfolio investment. We project continued growth for SINO UJE and an increasing portfolio value for S3."

S3 Investment Company Executive Vice President Brad Smith with Newly Appointed Redwood Capital General Manager Miao Yang



S3 Investment Company Portfolio

(Active Portfolio Companies)



www.sinouje.com

51% EQUITY INTEREST



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