



# S3 INVESTMENT COMPANY

Trading Symbol: SIVC | [www.s3investments.com](http://www.s3investments.com)



## December 2009 Newsletter

### Corporate Profile

S3 Investment Company, Inc. (OTC: SIVC) and its Redwood Group International subsidiary are focused on facilitating the success of two subsidiaries operating in the China market. Redwood Capital assists private Chinese companies in accessing the North American capital markets by utilizing a network of investment banking relationships to achieve reverse merger transactions. Redwood Medical, Inc. assists companies seeking to import and distribute Western medical technologies and products into the China market.

### Market Information

Trading Symbol: SIVC

Market: Over-the-Counter (OTC)

### Contact

Investor Relations  
Gemini Financial  
Communications, Inc.  
(1) 951--  
[investors@s3investments.com](mailto:investors@s3investments.com)

### Corporate Address

4115 Blackhawk Plaza Circle  
Suite 100  
Danville, CA 94506

### Websites

#### **Public Company Site:**

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

#### **Subsidiary Website:**

Redwood Capital, Inc.  
[www.redwoodcapinc.com](http://www.redwoodcapinc.com)

## S3 Files Quarterly Report With Consolidated Financial Statements Showing Net Income for the Period

### The filing restores S3's "Current Information" status at the OTC Disclosure Service

S3 Investment Company, Inc., publicly traded under the symbol SIVC, has posted its consolidated financial report for the period ended September 30, 2009 on the Pink Sheets OTC Disclosure and News Service, and as a result, its status has been restored to "Current Information." The filing, which had been delayed due to turnover in the company's accounting personnel, shows the generation of net income for the period and reports the paying off of notes payable, resulting in additional forgiveness of company debt.

Beyond the quarter reported in the filing, the report's narrative includes management's expectation that both revenues and gross profit will increase in the 2nd quarter of the current fiscal year. The company also reported that as of September 30, 2009, it had net working capital of \$925,500 and cash of \$35,485 compared to net working capital of \$183,203 and cash of \$169,583 at June 30, 2009.

The full report can be viewed by visiting the Pink Sheets website at [www.pinksheets.com](http://www.pinksheets.com) and entering the company's stock trading symbol in the appropriate field.

"We are pleased to have our consolidated

financial report completed and posted to the Pink Sheets OTC Disclosure and News Service," said S3 Investment Company Chairman and CEO Jim Bickel. "Maintaining the 'Current Information' status is a priority, and although

we had a slight delay in reporting this quarter's financials, we do expect that our next quarterly filing, for the period ending December 31, 2009, will be prepared and submitted within the required timeframe.

"This report includes positive news related to S3's current financial status, and as the 2009

calendar year comes to a close, our business in China continues to expand, and we are working hard to make 2010 an even more successful year than 2009. We expect that our Redwood Capital subsidiary will close more transactions in the coming year, which will only add to the already considerable asset value that S3 has on its consolidated balance sheet. Additionally, we expect our Redwood Medical subsidiary to add another revenue stream as it ramps up its operations."



**"This report includes positive news related to S3's current financial status, and as the 2009 calendar year comes to a close, our business in China continues to expand, and we are working hard to make 2010 an even more successful year than 2009."**

**S3 Investment Company  
CEO Jim Bickel**

# S3 Prepares for Close of Calendar Year with Look Back at Successes of 2009 and Forward with Positioning for 2010

## Closing of 2 client transactions with follow-on funding and net income for the last calendar quarter are 2009 highlights

As the 2009 calendar year comes to an end, S3 Investment Company, Inc. experienced improved financial performance for the most recently reported quarter and is projecting even better results in 2010. The following is a review of S3's most significant events of 2009.

### The Year in Review

During the calendar year, the company's wholly owned Redwood Capital subsidiary, which provides Chinese clients with U.S. corporate finance and investment banking services, participated in transaction closings for two clients and successful follow-on financing for one of the two. At least partially as a result of these successes S3 recently reported that the period ended September 30, 2009, the last reported during calendar 2009, showed net income for the quarter. These milestones, which in earlier periods might have seemed modest, are highly significant given the near total collapse of the global capital markets in the fall of 2009.

Due to the uncertainty that developed in the U.S. public markets during the latter half of 2008, Redwood Capital began 2009 by targeting new potential markets for its private Chinese clients seeking to go public. In February, S3 announced that Redwood Capital would seek alternative listings for Redwood Capital clients on Canada's TSX Venture Exchange (TSX-V). Redwood Capital identified a number of advantages to a listing on the TSX Venture Exchange including the additional attention that can come from being one of only approximately 40 listings of Chinese companies in Canada as opposed to the over 500 which are traded on various exchanges in the United States. Clients can uplist to the full Toronto Stock Exchange and even pursue a dual listing to Nasdaq, all from the same exchange group. For reverse takeover financings on the TSX-V, an issuer's filing statement or listing application is reviewed in advance, which can allow the stock to be free trading at closing. This can remove the typical period of uncertainty that can result from awaiting regulatory approval of a registration statement as normally occurs in the United States markets for such RTO funding transactions.

Shortly after announcing targeting the TSX, S3 announced that it had subscribed to the Pink Sheets OTC Disclosure and News Service in order to maintain transparency by reporting its financial information through the service. After all of the necessary information was submitted and fees paid to Pink OTC Markets Inc., which operates [www.pinksheets.com](http://www.pinksheets.com) and related websites, the company received its log-in information for filing financial statements and began reporting its quarterly and annual financial information through the service. In July 2009 as a result of its reporting, the company was placed in the "Current Information" designation, which falls in the "Transparent" category as defined by the Pink Sheets. Pink OTC Markets Inc. provides the leading inter-dealer electronic quotation and trading system in the over-the-counter (OTC) securities market.

(continued on page 4)

## RECENT NEWS

12/09 - S3 Investment Company Files Quarterly Report With Consolidated Financial Statements Showing Net Income for the Period

11/23 - S3 Investment Company CEO Returns to China for Additional Meetings With Redwood Capital Clients and Long Range Planning for Redwood Subsidiaries

11/18 - S3 Investment Company Comments on Status of Quarterly Financial Report

11/10 - S3 Investment Company Announces Receipt of Payment for Recent Redwood Capital Client Closing

11/05 - S3 Investment Company CEO Comments on Recent Progress of Redwood Subsidiary Businesses

10/29 - S3 Investment Company Comments on Financial Results Reported by Redwood Capital Client Boyuan Construction Group

10/22 - S3 Investment Company Announces Completion of USD\$10 Million Financing for Redwood Capital Client

10/15 - S3 Investment Company Announces 1st Product to Be Distributed by Redwood Medical Subsidiary in the China Market

10/08 - S3 Investment Company Announces Meetings With Manufacturer of Redwood Medical's First U.S. Product to Be Distributed in China

## Forward-looking Statements

Any statements contained in this newsletter related to future events of S3 Investment Company are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on forward-looking statements. S3 undertakes no obligation to update any such statements to reflect actual events.

## S3 CEO Completes Trip to China for Additional Meetings With Redwood Capital Clients and Long Range Planning for Redwood Subsidiaries

### Agreement is signed for funding of Redwood Medical subsidiary

In early December, S3 Chairman and CEO Jim Bickel returned from a trip to China for meetings with clients of its Redwood Capital subsidiary. Before Mr. Bickel left on his trip, the company signed agreement to fund its Redwood Medical subsidiary that will not cause a capital drain on S3 nor any dilution of S3 stock.

Mr. Bickel's three-week trip included appointments with new and existing Redwood Capital clients. Redwood Capital, which assists private Chinese companies in accessing the North American capital markets by utilizing a network of investment banking relationships to achieve reverse merger (or reverse takeover) transactions, recently completed a USD\$10 million equity offering for China Infrastructure Construction Corporation, which is listed on the Over-the-Counter Bulletin Board market under the symbol CHNC and is one of the major U.S.-listed providers of ready-mix concrete in Beijing.

The Redwood Capital management team also conducted long-range strategic planning during Mr. Bickel's visit, including analysis of Redwood Capital current pipeline of clients and plans to sign new clients for future transactions. For each closed deal, Redwood Capital receives cash and stock in the client company. These payments form the revenue and asset base reflected in S3's consolidated financial statements.

While on the trip, Mr. Bickel also commented on a recently signed agreement to fund Redwood Medical that will not cause a capital drain on S3 nor any dilution of S3 stock.

"Having the Redwood Medical financing agreement in place allows this subsidiary to move forward aggressively in the distribution of the products it represents without placing any financial strain on S3 or any dilution for our shareholders," stated Mr. Bickel.

"Redwood Capital has at least one new potential client targeted, and I look forward to our meetings here in China to discuss the current pipeline as well as the long-range strategic plan for the company," Mr. Bickel added.

## Redwood Capital Subsidiary Receives of Payment for Recent Client Closing

### Cash and Value of Stock Compensation Received Exceeds \$500,000

S3's wholly owned Redwood Capital subsidiary has received payment valued at over \$500,000 in the form of cash and stock from the recent closing of an equity offering for China Infrastructure Construction Corporation, which is listed on the Over-the-Counter Bulletin Board market under the symbol CHNC and is one of the major U.S.-listed providers of ready-mix concrete in Beijing.

Redwood Capital acted as a financial advisor for the equity offering, which totaled US\$10 million. Redwood Capital traditionally assists private Chinese companies in accessing the North American capital markets through reverse merger transactions, but the company has recently expanded its focus to include assisting with the process of raising additional capital already listed in the U.S. public markets.



"We are pleased that Redwood Capital has received payment from its participation in the transaction involving China Infrastructure Construction Corporation," said S3 Investment Company Chairman and CEO Jim Bickel. "Each of the company's deals represents significant value for Redwood Capital and S3 Investment Company."

"While a percentage of the cash payment received is used to cover Redwood Capital's expenses and overhead and allows the company to sign additional clients and expand operations, the stock received is retained by the company and will appear as an asset on the consolidated financials of S3.

"In addition to the stock that Redwood Capital received for the initial transaction, additional financing is planned for this client, so Redwood Capital expects that its stock position may grow when the additional financing is completed. This has occurred with previous client transactions, most notably the initial and follow-on financings of Boyuan Construction Group," Mr. Bickel added.

# Year In Review: 2009

(continued from page 2)

The first major operations milestone reached by the company in calendar 2009 was the completion of a reverse-takeover (RTO) transaction in which Boyuan Construction Group, Inc., a Redwood Capital client, completed the CDN\$48.75 million acquisition of SND Energy Ltd. As a result of the completed acquisition and concurrent financing, Boyuan's common shares became listed on Canada's TSX Venture Exchange under the symbol BOY. Its convertible debentures were listed under a separate symbol.

Boyuan Construction Group, Inc. is a leading builder of commercial, residential and municipal infrastructure projects in China's fast-growing regions of the Yangtze River Delta and the city of Sanya on Hainan Island. Redwood Capital acted as Chinese merchant banking advisor to Boyuan Construction for this transaction.



"We are very pleased that Redwood Capital was able to play a part in the transaction that brought Boyuan Construction into the North American capital markets with its listing on the TSX Venture Exchange," said S3 Chairman and CEO Jim Bickel.

As a result of its participation in the Boyuan RTO transaction, Redwood Capital was initially issued 330,219 shares of Boyuan common stock. When the stock payment was announced, Mr. Bickel commented, "The equity positions that Redwood Capital receives in exchange for its participation in client transactions have an immediate tangible value, and we are pleased to announce the receipt of the shares from our most recent successful close. We believe that Boyuan Construction is a strong company that will continue to grow, presenting the opportunity for our initial stock position in the company to increase in value over time."

Shortly after the close of Boyuan Construction, S3 announced that Redwood Capital had entered into a relationship with the Big Four auditing firm Deloitte Touche to serve as auditor for qualifying client companies in China and Canada.

In April, announced a new China client engagement - this time with a company is already listed in the U.S. public markets. Redwood Capital was retained to assist with the process of raising capital for China Infrastructure Construction Corporation, which is listed on the Over-the-Counter Bulletin Board market under the symbol CHNC and is one of the major U.S.-listed providers of ready-mix concrete in Beijing.

"A new client for Redwood Capital is always good news for S3, but signing a company that has already achieved a listing in the U.S. capital markets opens new avenues for our business," said Mr. Bickel at the time of the engagement announcement. "There are a number of China-based companies that previously listed in North America but have not been able to access capital to successfully implement their strategies as public companies. Redwood Capital and its affiliates are able to provide assistance in this area, as evidenced by the successful capital raises in recent reverse merger transactions involving our clients."

Redwood followed that signing with an engagement agreement with another client, a pharmaceutical company based in China. The purpose of the engagement was to assist with raising the client company US\$12 million for expansion. The client was another that was already listed in the U.S. public markets and was pursuing a capital raise for further expansion of its business.

In July, it was announced that another round of financing was completed on behalf of Boyuan Construction Group. The non-brokered private placement offering with gross proceeds of CDN\$6,474,000 resulting in Redwood Capital receiving another issuance of Boyuan common stock.

In September, S3 announced a significant change to the subsidiary structure of the company with the formation of Redwood Group International, which will allow the company to pursue additional opportunities in the China market. Redwood Group International was formed as a wholly owned subsidiary of S3 Investment Company and, in turn, has two wholly owned operating subsidiaries, Redwood Capital, Inc. and Redwood Medical, Inc. The Redwood Medical subsidiary was established to serve companies seeking to import Western medical technologies and products into China, widely considered the largest consumer market in the world.

At the time, Mr. Bickel commented, "Due to opportunities which have recently presented themselves, S3 has facilitated a restructure of its subsidiary business to diversify their operations. The medical technology supply landscape in China is very familiar to S3, having been part of a previous subsidiary company. This change expands the opportunities for return as a result of greater operational diversity." Dr. Hal Lemmon was appointed to serve as chief executive officer for Redwood Medical. Dr. Lemmon has experience in the China market and significant familiarity with Redwood's business interests there.

S3 subsequently announced that the first product scheduled

(continued on page 5)

# Year In Review: 2009

(continued from page 4)

to be distributed by Redwood Medical was the Piccolo xpress testing device developed and manufactured by Abaxis Inc., a U.S. based medical products company manufacturing point-of-care blood analysis systems. Redwood Medical signed an exclusive long-term agreement to distribute the Piccolo xpress device and its disposable discs throughout China.



Also in September, S3 announced the appointment of Karen Riessen as controller, replacing Lesly H. Mohr, who served in that position since April 2008. The primary area of responsibility for S3's controller is to ensure that the company meets the financial reporting necessary to maintain its "Current Information" status with the Pink Sheets OTC Disclosure and News Service. Ms. Riessen brought considerable experience as controller for several venture funded start-up clients, and her experience is expected to be invaluable for S3 and its potential subsidiary clients.

In October, a USD\$10 million equity offering was completed for China Infrastructure Construction Corporation. The financing was twice as large as the amount originally planned and will allow China Infrastructure Construction Corporation to build on its strength as one of Beijing's major ready-mix concrete suppliers. Redwood Capital acted as a financial advisor for the equity offering and reported the receipt of cash and CHNC stock as a success fee for its participation. Led by institutional investors in Asia and North America, the CHNC private placement offering was increased to USD\$10 million from an originally planned USD\$5 million. CHNC management has stated that over the past six years, Beijing Concrete has enjoyed an average growth rate of over 30% annually.

"We are very pleased to have participated in the successful offering for China Infrastructure Construction Corporation," said Mr. Bickel when the closing was announced. "The compensation that Redwood Capital will receive for its participation in this offering, which is based on the same formula as its work on behalf of previous clients, will appear as another significant asset on the balance sheet of S3 Investment Company. Continued client success is a testament to the hard work of our staff in China and is another validation of Redwood Capital's business model."

Due to the stock position held by Redwood Capital and reported in S3's consolidated financials, the company periodically announced information about Boyuan Construction Group.

There were several major new Boyuan contracts announced throughout the year, and in late October, S3 issued comments on financial results filed by Boyuan. Boyuan Construction reported significant revenue increases over previous periods, including revenue for the fourth quarter ended June 30, 2009 of \$41.1 million, up 134.9% from \$17.5 million for Q4 of FY2008. Revenue for the 12-month period of FY2009 was \$101.7 million, an increase of 81% when compared to FY2008. Gross profit for the fourth quarter of FY2009 was \$7.4 million, representing a margin of 18% on revenue. Gross profit for the same period last year was \$3.7 million, representing a margin of 21% on revenue. Gross profit for FY2009 increased 61.6% to \$16 million from \$9.9 million for FY2008. Income from operations for the fourth quarter of FY2009 was \$5.7 million, up 90% from \$3.0 million for Q4 FY2008. Income from operations for FY2009 was \$13.5 million, an increase of 58.8% when compared to FY2008. Net income for the fourth quarter of FY2009 was \$2.3 million, up 27% from \$1.8 million for Q4 FY2008. Net income for FY2009 was \$7.9 million, an increase of 27.4% when compared to \$6.2 million for FY2008.

The significance of this reported financial progress by Boyuan was explained by Mr. Bickel, "Boyuan Construction Group continues to demonstrate its ability to attract new business in the growing China market, and given the Boyuan stock that Redwood Capital has received, this continued success is an important development for S3 shareholders."

Near the end of the calendar year, S3 posted its consolidated financial report for the first fiscal quarter of 2010 (the period ended September 30, 2009) on the Pink Sheets OTC Disclosure and News Service. The filing showed the generation of net income for the period and reports the paying off of notes payable, resulting in additional forgiveness of company debt. In the report's narrative, management stated that it expected that both revenues and gross profit will increase in the 2nd quarter of the current fiscal year. The company also reported that as of September 30, 2009, it had net working capital of \$925,500 and cash of \$35,485 compared to net working capital of \$183,203 and cash of \$169,583 at June 30, 2009. For additional details of the filings, please see the story on page 1 of this newsletter.

The 2009 calendar year was a difficult one for most U.S. public companies, especially those in the micro-cap space. S3, in contrast, showed growth throughout the year and expanded its business opportunities due to its position and expertise in the dynamic China market. 2009 had its challenges, but all indications are that the successes the company enjoyed are just the beginning and that the 2010 calendar year will be even more successful.