

February 09, 2010

## ***CSKI Investor's Home Raided by Police for Alleged Illegal Securities Sales Involving 1,000 Investors***

The home and "other premises" of Toshio Masuda, an early investor in China Sky One Medical, Inc. (NASDAQ: CSKI), were raided by Japanese police based on suspected violation of Japanese securities laws, according to an article published February 4th by a Japanese newspaper, [The Daily Yomiuri](http://www.asensio.com/CSKI/yomiuri.pdf).

The article refers to Masuda collecting at least 15 billion yen (US\$168 million) from more than 1,000 investors, and states that "investors have filed about 40 lawsuits seeking damages or making various allegations against [Masuda] – about 20 of these are pending in court."

The article also states that Masuda was not officially in control of the investment company under investigation, known as Sunra World Corp., but states that he was the "de facto head" of Sunra World and the "key figure in getting investors to prise open their wallets."

As previously reported by [asensio.com](http://www.asensio.com) in a report titled ["The Infamous Toshio Masuda a Private CSKI Investor?"](http://www.asensio.com/Reports/ReportView.aspx?ReportId=992&CompanyId=165&CompanyName=China+Sky+) a CSKI registration statement disclosed a holder of warrants named Toshio Masuda. There is no disclosure of what amount Masuda invested or of other consideration or services he may have provided to CSKI in order to obtain the warrants.

Masuda's investments in CSKI and American Dairy, Inc. (NYSE: ADY) through Abington Company Ltd. and Sunra Luminus Fund, Ltd., respectively, as well as the involvement of Charles Hung and Henny Wee in both CSKI and ADY, suggest that Masuda may have played a larger role in CSKI's reverse merger than that of a disclosed indirect warrant holder, where the warrants were obtained through an undisclosed transaction, but [asensio.com](http://www.asensio.com) has no direct evidence of a larger role at this time.

The Yomiuri article describes Masuda as a "self-styled current affairs commentator," who Japanese police suspect of engaging in illegal securities transactions through Sunra World.

Many of Sunra's reported investments "have ceased to operate," including a coffee plantation venture in Hawaii that filed for bankruptcy in 2009, previously reported by [asensio.com](http://www.asensio.com).

Investor complaints about Masuda and Sunra World were the subject of press reports as early as 2008, as made clear in [asensio.com](http://www.asensio.com)'s prior report.

"Sunra Luminus Fund, Ltd. C/o Sunra World Corp." was also an investor in ADY, according to a [Form 144](http://www.asensio.com/CSKI/ady144.pdf). Like CSKI, ADY is a Chinese reverse-merger involving Charles Hung and American Eastern Securities. An entity known as Luminus Capital Management, Ltd., half-owned by Henny Wee, was involved in a CSKI convertible note transaction. Wee was the auditor of ADY who

became the subject of an SEC investigation. Charles Hung, in addition to his role at American Eastern, is the principal of a California entity named Luminus Capital, LLC. (see <http://www.asensio.com/Reports/ReportView.aspx?ReportId=993&CompanyId=165&CompanyName=China+Sky+report>) Thus, Masuda, Hung, and Wee were involved in three different entities bearing the name "Luminus."

Any ongoing connection between CSKI and Masuda or Sunra World, beyond Masuda's disclosed indirect holding of CSKI warrants, has not been established at this time. asensio.com previously issued related reports on questionable transactions involving CSKI stock and certain Japanese nationals. See <http://www.asensio.com/Reports/ReportView.aspx?ReportId=993&CompanyId=165&CompanyName=China+Sky+Sky+and+KinKin+Kure> and <http://www.asensio.com/Reports/ReportView.aspx?ReportId=1001&CompanyId=165&CompanyName=China+Sky> on CSKI's Colorful Japanese Connections."

CSKI's stock recently rose more than 100% in less than two months, from \$11.22 on November 2nd, 2009 to close the year at \$22.75. This irregular trading was marked by a 31.5% increase in just four and a half trading days, from \$18.44 on December 17th to \$24.25 on December 28th.