EFT BIOTECH HOLDINGS INC
Form 10-Q
February 09, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2010

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _______

Commission File Number: 0-53730

EFT BIOTECH HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada	22-1211204
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

17800 Castleton St., Suite 300
City of Industry, CA 91748
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: (626) 581-3335

N/A
Former name, former address, and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Larger accelerated filer [ ]   Accelerated filer [X]
Non-accelerated filer [ ]   Smaller reporting company [ ]

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

As of February 9, 2011, the registrant had 75,983,205 outstanding shares of common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

EFT BIOTECH HOLDINGS, INC.
Consolidated Balance Sheets

	December 31, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 27,518,587	$ 29,434,509
Securities available for sale	12,106,817	9,740,712
Inventories	2,837,466	2,971,713
Prepaid expenses	923,211	475,092
Convertible note receivable	5,000,000	-
Total current assets	48,386,081	42,622,026
Restricted cash	193,992	193,992
Other receivables	255,861	96,914

Property and equipment, net	9,659,991	15,370,975
Held-to-maturity securities	-	4,763,165
Loan to related parties	33,000	2,034,100
Security deposit	702,692	658,575
Goodwill	5,000	5,000
Total assets	$ 59,236,617	$ 65,744,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,856,346	$ 2,346,835
Other liabilities	6,776,324	7,101,106
Unearned revenues	3,606,259	2,673,680
Due to related parties	44,872	43,427
Total current liabilities	13,283,801	12,165,048
Contingent liabilities	3,001,603	2,904,957
Total liabilities	16,285,404	15,070,005
Stockholders' equity		
EFT Biotech Holdings, Inc. stockholders' equity:		
Preferred stock, $.001 par value, 25,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.00001 par value, 4,975,000,000 shares authorized, 75,983,205 shares issued and outstanding at December 31, 2010 and March 31, 2010	760	760
Additional paid in capital	52,854,891	52,854,891
Retained deficits	(7,780,784)	(3,821,924)
Accumulated other comprehensive loss	(74,767)	(469,326)
	45,000,100	48,564,401
Noncontrolling interest	(2,048,887)	2,110,341
Total stockholders' equity	42,951,213	50,674,742
Total liabilities and stockholders' equity	$ 59,236,617	$ 65,744,747

The accompanying notes are an integral part of these consolidated financial statements.

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EFT BIOTECH HOLDINGS, INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009

Sales revenues, net	$ 3,305,807	$ 3,362,196	$ 10,857,113	$ 12,476,956
Shipping charge	854,770	965,520	2,606,500	3,015,090
Transportation income - Excalibur	81,329	-	139,113	-
	4,241,906	13,602,726	15,492,046	4,327,716
Cost of goods sold	1,696,916	1,048,913	4,098,657	3,374,844
Shipping cost	531,885	334,879	1,516,778	923,247
Operating costs - Excalibur	522,930	-	1,433,502	-
	2,751,731	7,048,937	4,298,091	1,383,792
Gross profit	1,490,175	2,943,924	6,553,789	11,193,955
Operating expenses:				
Selling, general and administrative expenses	2,566,350	2,377,059	7,802,794	6,903,728
Depreciation	(2,905)	21,605	978,913	54,802
Impairment loss of loan receivable	1,567,000	-	1,567,000	-
Impairment loss of transportation equipment	1,164,091	-	5,364,091	-
Total operating expenses	5,294,536	2,398,664	15,712,798	6,958,530
Net operating income (loss)	(3,804,361)	545,260	(9,159,009)	4,235,425
Other income (expense)				
Interest income	254,770	426,577	764,984	725,971
Gain on disposal of held-to-maturities securities	243,855	-	243,855	-
Gain on disposal of available-for-sale securities	22,590	-	116,239	-
Dividend Income	9,586	-	21,355	-
Investment loss - 48.81% Excalibur	-	-	-	(1,080,969)
Loss from equity method investment	-	(464,566)	-	(1,976,154)
Foreign exchange gain (loss)	(6,248)	751	(1,924)	(3,402)
Other income	23,087	13,457	58,173	86,400
Total other income (expense)	547,640	1,202,682	(2,248,154)	(23,781)
Net income (loss) before income taxes and non-controlling interest	(3,256,721)	(7,956,327)	1,987,271	521,479
Income taxes	(143,539)	-	(145,939)	-
Net Income (loss)	(3,400,260)	(8,102,266)	1,987,271	521,479
Noncontrolling interest	876,257	-	4,143,406	-
Net income (loss) attributable to EFT Biotech Holdings	(2,524,003)	$ 521,479	(3,958,860)	$ 1,987,271
Net income per common share Basic and diluted	(0.03)	$ 0.01	(0.05)	$ 0.03
Weighted average common shares outstanding Basic and diluted	75,983,205	75,983,205	75,983,205	75,983,205

The accompanying notes are an integral part of these consolidated financial statements.

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EFT BIOTECH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive
	Shares	Amount	Capital	(Deficits)	Income (Loss)
BALANCE, MARCH 31, 2009	75,983,205	$ 760	$52,854,891	$ 4,023,992	$ (490,283)
Acquisition of subsidiaries with noncontrolling interest	-	-	-	-	-
Comprehensive income:					
Net loss	-	-	-	(7,845,916)	-
Unrealized gain on securities available for sale	-	-	-	-	245,623
Foreign currency translation adjustment	-	-	-	-	(224,666)
BALANCE, MARCH 31, 2010	75,983,205	$ 760	$52,854,891	$(3,821,924)	$ (469,326)
Comprehensive income:					
Net income (loss)	-	-	-	(3,958,860)	-
Unrealized gain on securities available for sale	-	-	-	-	250,968
Foreign currency translation adjustment	-	-	-	-	143,591
BALANCE, DECEMBER 31, 2010	75,983,205	760	52,854,891	(7,780,784)	(74,767)

The accompanying notes are an integral part of these consolidated financial statements.

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EFT BIOTECH HOLDINGS, INC.
Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended	
	December 31, 2010	December 31, 2009
Cash flows from operating activities:		
Net income (loss)	$ (8,102,266)	$ 1,987,271
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	978,913	54,802
Bond premium amortization	9,625	-
Impairment loss of loan receivable	1,567,000	-

Impairment loss of equipment	5,364,091	-
Gain from securities available for sale	(116,239)	-
Gain from held-to-maturity securities	(243,855)	
Loss from equity method investment	-	3,057,123
Changes in operating assets and liabilities:		
Inventories	134,247	476,156
Prepaid expenses and other receivable	(317,799)	1,209,738
Accounts payable	469,461	(2,319,497)
Warranty liability	18,080	(9,079)
Other liabilities	(345,896)	910,778
Unearned revenues	932,579	800,265
	------------	------------
Net cash provided by operating activities	347,941	6,167,557
Cash flows from investing activities:		
Additions to fixed assets	(322,689)	(826,272)
Convertible note receivable	(5,000,000)	-
Note receivables - related party	(33,000)	(1,360,000)
Proceeds from vendor for repayment of loan	167,100	-
Purchase of corporate notes	-	(4,767,023)
Proceeds from redemption of corporate notes	500,000	-
Proceeds from corporate notes	4,497,395	-
Purchase of securities available for sale	(5,773,906)	-
Proceeds from available for sales securities	3,775,009	-
	------------	------------
Net cash (used in) investing activities	(2,190,091)	(6,953,295)
Effect of exchange rate changes on cash	(73,772)	-
	------------	------------
Net decrease in cash	(1,915,922)	(785,738)
Cash, beginning of period	29,434,509	38,181,837
	------------	------------
Cash, end of period	$27,518,587	$37,396,099
	============	============
Supplemental disclosures of cash flow information:		
Income taxes paid in cash	$ (2,400)	$ -

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The accompanying notes are an integral part of these consolidated financial statements.

EFT BIOTECH HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - ORGANIZATION

EFT Biotech Holdings, Inc. ("EFT Holdings" or "the Company"), formerly HumWare Media Corporation, GRG, Inc., Ghiglieri Corporation, Karat Productions, Inc., was incorporated in the State of Nevada on March 19, 1992.

On November 18, 2007, the Company issued 53,300,000 shares of its common stock in connection with a share exchange with the stockholders of EFT BioTech, Inc. ("EFT BioTech"), a Nevada Corporation formed on September 18, 2007 (the "Transaction"), pursuant to which EFT BioTech became a wholly-owned subsidiary of the Company. The 53,300,000 common shares issued included 52,099,000 to pre-capitalization shareholders and 1,201,000 to four directors and officers of EFT BioTech, and represented approximately 87.34% of the Company's common stock outstanding after the Transaction. Consequently, the stockholders of EFT BioTech, Inc. owned a majority of the Company's common stock immediately following the Transaction. As EFT Holdings was a non-operating public shell corporation that acquired an operating company, this Transaction was treated as a capital transaction where the acquiring corporation issued stock for the net monetary assets of the shell corporation, accompanied by a recapitalization. The accounting is similar in form to a reverse acquisition, except that goodwill or other intangibles are not recorded. All references to EFT BioTech common stock have been restated to reflect the equivalent numbers of EFT Holdings common shares.

The Company, through its subsidiaries, uses the internet as its "storefront" and business platform to sell and distribute American brand products consisting of 26 nutritional products, 21 personal care products, 1 automotive fuel additive, 1 home product and a portable drinking container.

On October 25, 2008, EFT Investment Co. Ltd ("EFT Investment"), a subsidiary of the Company, acquired 48.81% of Excalibur International Marine Corporation's ("Excalibur") capital stock. Due to the substantial financial support EFT Investment has provided Excalibur to fund its operations and other factors, EFT Investment is deemed to have a controlling interest in Excalibur at January 15, 2010 as defined by Accounting Standards Codification ("ASC") Topic 810, Consolidation, which required the Company to consolidate the financial statements of Excalibur as its variable interest entity ("VIE"). Prior to that date, Excalibur was accounted for as an equity method investment. Since Excalibur has a year end of December 31, its September 30, 2010 financial information is consolidated with the Company's December 31, 2010 financial statements.

In February 2010 the Company assigned the worldwide distribution and servicing rights to a product known as the "EFT-Phone" to Digital Development Partners in exchange for 79,265,000 shares of Digital's common stock. The shares acquired represent approximately 92% of Digital's outstanding common stock.

The EFT-Phone consists of a cell phone which uses the Microsoft Operating System. The EFT-Phone has an application that will allow the Company's Affiliates to access all of their back office sites, including their commission accounts, through which the Affiliates will be able to deposit, withdraw and transfer money to another account or to another Affiliate at no cost.

The worldwide distribution and servicing rights to the EFT-Phone include the right to sell the EFT-Phone to the Company's affiliates and others. Servicing includes the collection of service fees for all EFT-Phones worldwide, including monthly fees, usage fees, as well as call forwarding, call waiting, text messaging and video fees. Digital also acquired the rights to distribute all EFT-Phone accessories.

The EFT-Phone is manufactured by an unrelated third party. Distribution of the EFT-Phones began in July, 2010.

Note 2 - SUMMARY OF SIGNIstocktickerFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

These unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and the rules and regulations of the Securities and Exchange Commission that permit reduced disclosure for interim periods. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been made. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the year ending dateMonth3Day31Year2011March 31, 2011.

These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended March 31, 2010, included in the Company's 2010 Annual Report on Form 10-K.

Reclassification

Certain amounts have been reclassified to conform with the current period presentation. Specifically, amounts previously classified as cash and cash equivalents at March 31, 2010 have been reclassified as securities available for sale. The amounts reclassified did not have an effect on the Company's results of operations or shareholder's equity.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and Excalibur, which has been consolidated as a Variable Interest Entity, and for which the Company is the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation.

Foreign Currency

The Company's reporting currency is the U.S. dollar. The Company's operations in Hong Kong, Taiwan and China use their local currencies as their functional currency. The financial statements of the subsidiaries are translated into U.S. Dollars (USD) in accordance with ASC Topic 830, Foreign Currency Translation. According to ASC 830, all assets and liabilities were translated at the nine months ended December 31, 2010 current exchange rate, stockholders equity items are translated at the historical rates and income statement items are translated at the average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, Reporting Comprehensive Income as a Component of Stockholders' Equity. Foreign exchange transaction gains and losses are reflected in the statement of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingencies

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed in the footnotes to the financial statements.

Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Company maintains its accounts in banks and financial institutions in amounts that, at times, may exceed the federally insured limit. Management believes the Company is not exposed to any significant credit risk on those accounts.

Securities Available for Sale

The Company's investments in publicly traded equity securities are classified as available-for-sale and are reported at fair value (based on quoted prices and market prices) using the specific identification method. Unrealized gains and losses, net of taxes, are reported as a component of stockholders' equity. Realized gains and losses on investments are included in investment and other income, net when realized. Any impairment loss to reduce an investment's carrying amount to its fair market value is recognized as an expense when a decline in the fair market value of an individual security below its cost or carrying value is determined to be other than temporary.

Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market. Inventory consists of nutritional, cosmetic, automotive maintenance, environmentally safe products and EFT-phone. The Company has two warehouses, one in City of Industry, CA and the other in Kowloon, Hong Kong. On a quarterly basis, the Company's management reviews inventory levels in each country for estimated obsolescence or unmarketable items, as compared to future demand requirements and the shelf life of the various products. Based on this review, the Company records inventory write-downs when costs exceed expected net realizable value. Historically, the Company's estimates of obsolete or unmarketable items have been insignificant.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation.

Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

Machinery and equipment	3-8 years
Computers and office equipment	3-5 years
Automobiles	5 years
Leasehold improvements	5 years
Transportation equipment	12 years

For the nine months ended December 31, 2010 and 2009, depreciation expenses were $978,913, and $54,802, respectively.

Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with ASC Topic 360. ASC Topic 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. The Company has recorded an impairment loss of $5.364 million on the transportation equipment of Excalibur for the nine months ended December 31, 2010 since the net book value of the equipment has exceeded its market value.

Fair Value of Financial Instruments

ASC Topic 825 requires the Company to disclose the estimated fair values of financial instruments. The carrying amounts reported in the Company's consolidated balance sheets for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value due to the short-term maturity of these instruments.

Fair Value Measurements

ASC Topic 820 defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. ASC Topic 820 does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various other accounting pronouncements. The adoption of ASC Topic 820 did not have a material effect on the Company's financial condition or operating results.

Refer to Note 3, "Fair Value Measurements" for additional information on the adoption of ASC Topic 820.

Stock-Based Compensation

ASC Topic 718 requires companies to recognize in the statement of operations the grant date fair value of stock options and other equity-based compensation issued to employees.

Stocks issued to officers or employees

During the nine months ended December 31, 2010 and 2009, the Company did not issue any stock options or warrants to its officers or employees nor were there any outstanding warrants or options held by officers or employees as of December 31, 2010. Accordingly, pro forma disclosures are not required.

Stock issued for services

The Company accounts for equity instruments issued in exchange for the receipts of goods or service from persons other than employees in accordance with ASC Topic 718 and the conclusions reached by ASC Topic 505. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of performance commitment or completion of performance by the provider of goods or service as defined by ASC Topic 505.

Revenue / Unearned Revenue

The Company's revenue recognition policy is in accordance with the requirements of Staff Accounting Bulletin ("SAB") No. 104, Revenue Recognition, ("SAB 104"), ASC Topic 605, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) and other applicable revenue recognition guidance and interpretations. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Transportation income is generated from transporting passengers and cargo and is recognized when passengers and cargo are conveyed to the destination port. Payments received before all relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. Cash consideration given by the

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Company to its sales affiliates is considered to be a reduction of the selling prices of the Company's products, thus, is recorded as a reduction of revenue. Commissions paid to the Company's Affiliates are considered to be a reduction of the selling prices of its products, and are recorded as a reduction of revenue.

Unearned Revenues consist of cash received in advance for goods to be delivered at a future date. The Company records the payments received from customers as a liability until the products are delivered. Sales are recorded when the products are delivered.

In 2009, the Company developed a "reverse auction" program as a means of attracting younger members who typically would not otherwise become an Affiliate. The reverse auction is unlike an ordinary auction, also known as a forward auction, where bidders bid the price up and the highest bidder wins that product at the conclusion of bidding. In a reverse auction the objective is to bid the price of a product down.

Cars, laptop computers, cameras, television sets and many other products are offered through the reverse auction program at starting bid prices which are typically set at 25% of the manufacturer's suggested retail price.

To participate in the reverse auction, one must initially purchase 300 bids at a price of $1.00 per bid. The purchase of the 300 bids automatically qualifies the purchaser as an Affiliate, and no purchase of the Company's products is required. All bids are non-refundable once purchased.

Once the reverse auction for a particular product begins, participants can, through a designated website, enter a bid for the product. Each $1.00 bid lowers the price of the product by $0.01. At the conclusion of the auction, the person who entered the last bid is entitled to buy the product at the price reduced by the auction process. The Company only recognizes revenue when a bidder places a bid on an auction product.

Warranty

The Company generally does not provide customers with right of return except for defects which occur within six months from the date of sale. Historically, warranty costs have not been material. Factors that affect the Company's warranty liability include the number of products currently under warranty, historical and anticipated rates of warranty claims on those products, and cost per claim to satisfy the warranty obligation. Other factors are less significant due to the fact that the warranty period is only six months and replacement products are already in stock or available at a pre-determined price. The anticipated rate of warranty claims is the primary factor impacting the estimated warranty obligation. Warranty claims are relatively predictable based on the historical experience. Warranty reserves are included in other liabilities and the provision for warranty accruals is included in cost of goods sold in the Consolidated Statements of Operations. Management reviews the adequacy of warranty reserves each reporting period based on historical experience. The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under its limited warranty. If actual results differ from the estimates, the Company revises its estimated warranty liability.

As of December 31, 2010, the Company's estimated warranty expense was as follows:

Products sold for	
0-2 months	2% of cost
3-4 months	1.5% of cost
5-6 months	1% of cost

Shipping Costs

The Company's shipping costs are included in cost of sales for all periods presented.

Income Taxes

The Company follows ASC Topic 740, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their

financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Under ASC Topic 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Earnings per Share

Basic net income per share is computed on the basis of the weighted average number of common shares outstanding during the period.

Diluted net income per share is computed on the basis of the weighted average number of common shares and common share equivalents outstanding. Dilutive securities having an anti-dilutive effect on diluted net income per share are excluded from the calculation.

Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

The following table shows the weighted-average number of potentially dilutive shares excluded (since they were anti-dilutive) from the diluted net income per share calculation for the three and nine months ended December 31, 2010 and 2009:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Weighted average warrants outstanding	14,890,040	14,890,040	14,890,040	14,890,040
Total	14,890,040	14,890,040	14,890,040	14,890,040

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Historical Numerator:				
Net income (loss) attributable to EFT Biotech Holdings, Inc.	$(2,524,003)	$ 521,479	$(3,958,860)	$1,987,271
Denominator:				
Weighted-average shares used for basic net income per share	75,983,205	75,983,205	75,983,205	75,983,205
Basic net income (loss) per share	$ (0 .03)	$ 0.01	$ (0.05)	$ 0.03

Comprehensive income

Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. For the Company, comprehensive income for the periods presented is comprised of net income, unrealized loss on marketable securities classified as available-for-sale, and foreign currency translation adjustments.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, accounts receivable and other receivables arising from its normal business activities. The Company places its cash in what it believes to be credit-worthy financial institutions, but several of its bank accounts exceed the federally insured limit. The Company's accounts receivable are constantly at a marginal to zero dollar ($0) level and its revenues are derived from orders placed by consumers located anywhere in the world over the Company's designated internet portal. The Company maintains a zero dollar ($0) allowance for doubtful accounts and authorizes credits based upon its customers' historical credit history. The Company routinely assesses the credits authorized to its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is limited.

Segment Reporting

ASC Topic 280, "Disclosure about Segments of an Enterprise and Related Information" requires use of the management approach model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. Since management does not disaggregate Company data, the Company has determined that only one segment exists. Accordingly, no segment reporting is provided.

Recent accounting pronouncements

In December 2010, the FASB issued the amendment to ASC Topic 805, "Business Combinations", which provides clarification that if a public entity presents comparative financial statements, it should disclose revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this update also expand the supplemental pro forma disclosure to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This topic will be effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company does not believe that the adoption of ASC 805 will have a material effect on its financial statements.

In December 2010, the FASB issued the amendment to ASC Topic 350 "Intangibles-Goodwill and Other" which modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The amendment requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This topic will be effective for periods beginning after December 15, 2010, early adoption is not permitted. The Company does not believe that the adoption of ASC 350 will have a material effect on its financial statements.

Note 3 - FAIR VALUE MEASUREMENTS

ASC Topic 820 defines fair value, establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. This statement does not require any new fair value measurements. ASC Topic 820 defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC Topic 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1-- Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2-- Other inputs that are directly or indirectly observable in the marketplace.

Level 3-- Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In accordance with ASC Topic 820, the Company measures its securities available for sale at fair value. The securities available for sale are classified within Level 1 since they are valued using quoted market prices.

The Company does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis at March 31, 2010 and December 31, 2010.

Assets and liabilities measured at fair value are summarized below:

	December 31, 2010			
	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Securities available for sale	$ 12,106,817	$ -	$ -	$12,106,817
Total assets measured at fair value	$ 12,106,817	$ -	$ -	$12,106,817

	March 31, 2010		
	Level 1 Quoted Prices in Active Markets for	Level 2 Significant Other	Level 3 Significant

	Identical Assets	Observable Inputs	Unobservable Inputs	Total
Securities available for sale	$ 9,740,712	$ -	$ -	$ 9,740,712
Total assets measured at fair value	$ 9,740,712	$ -	$ -	$ 9,740,712

Note 4 - CONVERTIBLE NOTE RECEIVABLE

In July 2010 the Company lent $5,000,000 to CTX Virtual Technologies, Inc. The loan to CTX is unsecured, bears interest at 8% per year and has a term of one year from July 26, 2010 to July 26, 2011. At December 31, 2010, the Company has recorded $72,222 in accrued interest related to this loan. At any time during the 1-year term, the Company can at its option convert the loan into 8,474,576 units, with each unit consisting of one share of CTX's common stock and one warrant. Each warrant allows the Company to purchase one additional share of CTX's common stock at a price of $1.00 at any time on or before June 23, 2015.

At any time after January 26, 2011 and before July 26, 2011, CTX can, at its option, cause the loan to be converted into the same 8,474,576 units. On July 26, 2011, the loan, if it is not in default, will automatically be converted into 8,474,576 units.

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Note 5 - LOAN TO RELATED PARTIES

The Board of Directors of the Company approved a non-interest bearing strategic advancement/unsecured demand loan in the amount of $1,567,000 on July 25, 2009 to Yeuh-Chi Liu, a vendor, as well as a director and a shareholder of Excalibur. The $1,567,000 loan is collateralized with 3.97% ownership of Excalibur and the Company provides full allowance of impairment in the amount of $1,567,000 against the demand loan. Since the Company does not expect that this loan will be repaid and the loan was written off as of December 31, 2010.

The Company approved an advancement in the amount of $33,000 on December 22, 2010 to the Company's officer, VP-marketing, as well as a director and a shareholder of the Company. The advancement was disbursed to the Company's third party vendor for the last delivery of EFT phones.

Note 6 - RESTRICTED CASH

On August 20, 2009, Taiwan Taipei district court froze Excalibur's cash of $193,992 as a result of a lawsuit filed by Marinteknik Shipbuilder(s) PTE LTD (a Singapore company) against Excalibur in the Taiwan Taichung District Court. The lawsuit claims Excalibur owes service fees and out-of-pocket expenses of $249,731 to Marinteknik Shipbulider (s) PTE Ltd.

Note 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2010	March 31, 2010
Construction in Progress	$970,726	$ 804,410

Transportation equipment	12,133,122	17,065,379
Leasehold Improvements	427,388	418,582
Automobiles	238,667	154,724
Computer Equipment	159,830	144,696
Furniture and Fixtures	83,430	68,461
Machinery and Equipment	77,660	49,903
	14,090,823	18,706,155
Less: Accumulated depreciation	(4,430,832)	(3,335,180)
	$ 9,659,991	$15,370,975

At December 31, 2010, expenditures of $970,726 had been incurred for construction of a new water filter plant for bottled water in Tian Quan, China. The Company will begin depreciating the water filter plant when it is placed in service.

Note 8 - INVESTMENT

On October 25, 2008, the Company through its wholly-owned subsidiary, EFT Investment, acquired a 48.81% equity interest in Excalibur for $19,193,000. The Company subsequently provided Excalibur capital to fund its operations. The equity method was used for this investment for the three and nine months ended December 31, 2009.

As a result of a change in Excalibur's management, the Company was deemed to have a controlling interest in Excalibur and Excalibur became a Variable Interest Entity ("VIE") of the Company on January 15, 2010. In accordance with ASC, Topic 810-10-15-14, the Company measured and recognized its interest in Excalibur on December 31, 2009, the closest fair value acquisition date.

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Since Excalibur is considered the Company's VIE, at December 31, 2010, Excalibur's September 30, 2010 balance sheet was consolidated with the Company's December 31, 2010 balance sheet and all inter-company accounts and transactions were eliminated in consolidation.

The following table summarizes the income statement of Excalibur for the three and nine months ended December 31, 2009:

	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2009
Exchange rate	33	33
Revenue	$ 179,394	$ 245,396
Gross profit	$ (744,371)	$ (4,379,419)
Loss from continuing operations	$ (4,134,023)	$ (951,785)
Net Loss	$ (4,134,023)	$ (951,785)
48.81% investment earnings	$ (2,017,817)	$ (464,566)

The following table provides the summary of balance sheet information for Excalibur as of December 31, 2009 and March 31, 2009:

Excalibur International Marine Corp

	December 31, 2009		March 31, 2009	
	NT$	USD	NT$	USD
Total assets	1,248,321,460	37,827,923	1,289,432,107	39,073,700
Total liabilities	299,730,138	9,082,731	204,417,971	6,194,484
Net assets	948,591,322	28,745,192	1,085,014,136	32,879,216
EFT 48.81% ownership	463,007,424	14,030,529	529,595,400	16,048,345
Ending balance of investment account		14,072,191		17,129,314
Difference/Premium		41,662		(1,080,969)

*NTD: New Taiwan Dollar

The difference of $41,662 was mainly due to the exchange rate fluctuations between the periods.

The premium of $1,080,969 was primarily the excess the Company paid to purchase the 48.81% ownership in Excalibur as of March 31, 2009.

On August 8, 2010 Excalibur's ship, the OceanLaLa was damaged when sailing in the Taiwan Strait. As a result of the damage suffered, the OceanLaLa has been taken out of service indefinitely. Excalibur is in discussions with its insurance carrier concerning the amount of damage, if any, which may be covered by insurance.

As a result of the damage, management estimated that the net book value of the equipment has exceeded its market value and hence, an impairment loss of $5.364 million has been provided during the nine months ended December 31, 2010.

Note 9 - HELD-TO-MATURITY SECURITIES

The following table summarizes realized gains related to the Company's investments in corporate notes designated as held to maturity as of December 31, 2010:

Corporate notes:	Net Carrying Value	Sales Proceeds	Gross realized gain
Long-term held-to-maturity securities:			
Due after one year through five years	$1,478,480	$ 1,573,015	$ 94,535
Due after five years through ten years	1,068,875	1,151,275	82,400
Due after ten years	1,706,185	1,773,105	66,920
Total	$4,253,540	$ 4,497,395	$ 243,855

The Company realized a gain of approximately $243,855 on the sale of all of our investments in corporate notes during the nine months ended December 31, 2010. These notes were sold in order to preserve the Company's principal since most of the notes were downgraded by investment rating agencies. The Company did not purchase in any corporate notes during the nine months ended December 31, 2010.

The following table summarizes unrealized gains and losses related to the Company's investments in corporate notes designated as held to maturity as of

March 31, 2010:

Corporate notes:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term held-to-maturity securities:				
Due in one year or less	$ 507,885	$ 4,505	$ -	$ 512,390
Total	$ 507,885	$ 4,505	$ -	$ 512,390
Long-term held-to-maturity securities:				
Due after one year through five years	$ 1,482,874	$ 27,491	$ -	$1,510,365
Due after five years through ten years	1,065,519	-	(15,924)	1,049,595
Due after ten years	1,706,887	13,771	-	1,720,658
Total	$ 4,255,280	$ 41,262	$(15,924)	$4,280,618

Note 10 - OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2010	March 31, 2010
Commission payable	$5,610,585	$6,380,408
Payroll liabilities	700,415	645,900
Warranty liabilities	50,329	43,346
Accrued expenses	162,360	-
Income taxes payable	143,539	-
Others	109,096	31,452
	$6,776,324	$7,101,106

Note 11 - CONTINGENT LIABILITIES

The Company's subsidiary, Excalibur, purchased the vessel "OceanLaLa" from a BVI company "Ezone Capital Co. Ltd." in 2008. The purchase price was NTD 708,000,000 ($21,961,660). The vessel has been delivered to Excalibur and registered as owned by Excalibur at the end of 2008. The last payment of NTD 92,600,000 ($2,969,075) is still under dispute as Excalibur believes that certain special equipment relating to the OceanLaLa, including special tooling, was not delivered at the time of sale and that Ezone's director was not acting in good faith and involved in self dealing.

Gu Zong-Nan (former vice general manager of Excalibur) filed a lawsuit against Excalibur in the Taiwan Shihlin District Court claiming unpaid salary. The court found that there was a valid agreement between the parties that provided the salary owed by Excalibur did not need to be paid until Excalibur made a profit from its business operations. Although Excalibur has not been profitable since its inception, a contingent liability of NTD 1,050,000 ($32,528) was recorded.

Note 12 - STOCKHOLDERS' EQUITY

Common stock

As of December 31, 2010 the Company had 4,975,000,000 shares of common stock authorized and 75,983,205 shares issued and outstanding.

The Company did not issue any shares of common stock during the nine months ended December 31, 2010.

Warrants

Between January and August 2008 the Company sold 14,890,040 Units to non-U.S. residents at a price of $3.80 per Unit. Each Unit consisted of one share of the Company's common stock and one warrant. Each warrant allows the holder to purchase one share of the Company's common stock at a price of $3.80 per share at any time prior to November 30, 2011.

The Company has the right, but not the obligation to redeem the outstanding warrants, on a pro rata basis, at a purchase price of $0.00001 per warrant within thirty (30) days from the tenth (10th) consecutive trading day that the closing sales price, or the average of the closing bid and asked price of the Company's common stock trades on the OTC or any public securities market within the U.S., at least $11.00 per share.

As the only settlement option for the warrants is physical settlement, in which the party designated in the contract as the buyer delivers the full stated amount of cash to the seller, and the seller delivers the full stated number of shares to the buyer, the Company accounted for the warrants as permanent equity and recorded the value of the warrants in additional paid in capital.

Note 13 - INCOME TAXES

The Company was incorporated in the United States ("US") and has operations in four tax jurisdictions - the United States, the Hong Kong Special Administrative Region ("HK SAR"), Taiwan, and the BVI.

The Company generated substantially all of its net income from its BVI operations for the nine months ended December 31, 2010 and 2009. According to BVI tax law this income is not subject to any taxes. The Company's HK SAR subsidiaries had no taxable income in the respective periods. The deferred tax assets for the Company's US operations and HK SAR subsidiaries were immaterial as at December 31, 2010 and 2009.

The Company's Taiwan VIE, Excalibur, is subject to a 17% standard enterprise income tax based on its taxable net profit. Excalibur has incurred net accumulated operating losses for income tax purposes and believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, it has provided full valuation allowance for the deferred tax assets arising from the losses as of December 31, 2010 and 2009.

Income tax expenses consisted of the following:

	Nine Months Ended December 31,	
	2010	2009
Current:		
Domestic	$ 2,400	$ -

Foreign	-	-
Provision for prior years	143,539	-
Deferred	-	-
Income tax expenses	$ 145,939	$ -

A reconciliation of income taxes, with the amount computed by applying the statutory federal income tax rate (37% for the nine months ended December 31, 2010 and 2009) to income before income taxes for the nine months ended December 31, 2010 and 2009, is as follows:

	Nine months Ended December 31,	
	2010	2009
Income tax at U.S. statutory rate	$ (1,464,779)	$ 742,283
State tax	145,939	-
Indefinitely invested earnings of foreign subsidiaries	1,435,363	(749,275)
Nondeductible expenses	29,416	6,992
	145,939	-

Uncertain Tax Positions

As a result of the implementation of ASC Topic 740, the Company recognized no material adjustments to liabilities or stockholders' equity. Interest associated with unrecognized tax benefits are classified as income tax and penalties are classified in selling, general and administrative expenses in the statements of operations. The adoption of ASC Topic 740 did not have a material impact on the Company's financial statements.

For the nine months ended December 31, 2010 and 2009, the Company did not have any unrecognized tax benefits and related interest and penalties expenses. Currently, the Company is not subject to examination by major tax jurisdictions.

Note 14 - WARRANTY LIABILITY

The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under its limited warranty. Changes in warranty liability for standard warranties which are included in current liabilities on the Company's Consolidated Balance Sheets are presented in the following tables:

	December 31, 2010	March 31, 2010
Warranty liability as at beginning of period, Current	$ 43,346	$ 51,684
Service obligations honored		-
Cost accrued/(Reversal) of costs	18,080	(8,338)
Service obligations honored	(11,097)	-
Warranty liability as at end of period, Current	$ 50,329	$ 43,346

Note 15 - RELATED PARTY TRANSACTIONS

	December 31, 2010	March 31, 2010

Amount due to related parties:	$ 44,872	$ 43,427

Names and relationship of related parties:

Names	Relationship with Company
Steve Hsiao	Shareholder of Excalibur

We use the "EFT" name, a trademark owned and licensed to us by EFT Assets Limited. We are required to pay an annual royalty to EFT assets equal to a percentage of our gross sales for the previous fiscal year. The percentage is 5% for the first $30 million in gross sales, 4% for the $10 million in gross sales in excess of $30 million, 3% for the $10 million in gross sales in excess of $40 million; 2% for the $10 million in gross sales in excess of $50 million; and 1% for the $10 million in gross sales in excess of $60 million. EFT Assets Limited is owned by a number of persons, including Wendy Qin. Ms. Qin is the Chief Executive Officer of one of our subsidiaries and is the sister of Jack Jie Qin, our President. During the nine months ended December 31, 2010 and 2009 we paid EFT Asset Limited $1,522,251 and $1,800,000 in royalties.

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Note 16 - COMMITMENTS

Executive Offices

The Company leases 3,367 square feet of space in California for its executive offices. The lease expires in February 2013. The base rent is: $9,090 for year one, $9,454 for year two and $9,832 for year three.

Operating Lease

The Company rents office space for its satellite training center in Hong Kong. The lease provides for free rent in the first two years and monthly lease payments approximating $50,000 starting the beginning of the third year and expires on June 30, 2012. Expensing the 5-year total rent evenly over the life of the lease, the future minimum lease payments under the operating lease are as follows:

Year Ending March 31,	
2011	$ 90,000
2012	360,000
2013	90,000

The Company rents storage space for its satellite training center in Hong Kong. The lease provides for monthly lease payments approximating $900 USD starting on January 4, 2011 and expiring on January 3, 2013. Future minimum lease payments under the month to month operating leases as of December 31, 2010 approximate the following:

Year Ending March 31,	
2011	$ 2,700
2012	10,800
2013	8,100

The Company rents office space for its division at Thailand Center. The lease provides for monthly lease payments approximating $800 USD starting on April 1, 2010 and expiring on March 29, 2011. Future minimum lease payments under the operating leases as of December 31, 2010 approximate the following:

Year Ending March 31,	
2011	$ 2,386

Rent expenses for the nine months ended December 31, 2010 and 2009 were approximately $549,808 and $397,722 respectively.

Note 17 - LITIGATION

In October 2008, the Company acquired, through a wholly-owned subsidiary, 48.81% of the capital stock of Excalibur International Marine Corporation, a Taiwan corporation, for $19,193,000. Excalibur owns a high speed ship which, until August 2010, transported passengers and cargo between Taiwan and mainland China through the Taiwan Strait. Excalibur's ship, the OceanLaLa, was capable of carrying up to 370 passengers and 630 tons of cargo.

Excalibur purchased the OceanLaLa from Ezone Capital Co. Ltd., prior to its acquisition by the Company. The last payment of NTD 92,600,000 ($2,969,075) was

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withheld by Excalibur since Excalibur believed that special tooling was not delivered at the time of sale and that Ezone's director was not acting in good faith and was involved in self dealing.

Excalibur filed a lawsuit against Jiao Ren-Ho (former chairman of Excalibur) in the Taiwan Shihlin District Prosecutors office in February 2010. Excalibur alleges, among other things, that Jiao Ren-Ho committed the offences of capital forging, fraud, breach of trust, and document fabrication.

Excalibur filed a lawsuit against Chang Hui-Ying, Excalibur's former accountant in the Taiwan Shihlin District Prosecutors office in March 2010. The claims of Excalibur against Chang Hui-Ying are based upon the audit of Excalibur's financial statements by Chang Hui-Ying. Excalibur alleges, among other things, that Chang Hui-Ying committed the offences of capital forging, fraud, breach of trust, and document fabrication.

Excalibur filed a lawsuit against Hsiao Zhong-Xing (former general manager of Excalibur) and Lu Zhuo-Jun (former vice general manager of Excalibur) (collectively "Defendants") in the Taiwan Shihlin District Prosecutors office. Excalibur alleges, among other things, that Defendants committed the offences of capital forging, fraud, breach of trust, and document fabrication.

Gu Zong-Nan (former vice general manager of Excalibur) filed a lawsuit against Excalibur in the Taiwan Shihlin District Court claiming unpaid salary and severance payments. In April 2010, the Taiwan Shihlin District Court denied the claims as the court found that (i) there was a valid agreement between the parties that provided the salary owed by Excalibur would not be paid until Excalibur makes profit from its operations and (ii) Gu Zong-Nan held a managerial position in Excalibur and as a result is not entitled to any severance payment according to the Labor Standard Law of Taiwan. Excalibur has suffered net losses since inception, however, a contingent liability for the unpaid salary remains.

Marinteknik Shipbuilder(s) PTE LTD. (a Singapore company) filed a lawsuit against Excalibur in the Taiwan Taichung District Court for unpaid service fees and out-of-pocket expenses of NTD8,050,832. On August 20, 2009, the Taiwan Taipei district court froze Excalibur's cash of $193,992 in response to the suit. The final resolution of this case is pending. However, a contingent liability for the restricted cash has remained.

Jiao Ren-Ho (former chairman of Excalibur) filed a lawsuit against Excalibur in the Taiwan Shihlin District Court claiming Excalibur's special meeting of shareholders held on January 12, 2010, and the actions taken at the meeting, including the removal of Mr. Jiao as an officer and the chairman of Excalibur, were unlawful. Monetary damages were not claimed in the suit. On October 12, 2010, the Shihlin District Court rendered its judgment in favor of Excalibur, ruling that Excalibur's special meeting of shareholders held on January 12, 2010 and the actions taken at the meeting, including the removal of Mr. Jiao as an officer and the chairman of Excalibur were lawful. Subsequently, Mr. Jiao has filed an application to the Court of Appeal in Shihlin District Court to review the lower court's decision.

On August 2, 2010 the Company commenced a legal proceeding against Marinteknik Shipbuilders Pte Ltd., and three other persons in the High Court of the Republic of Singapore alleging fraud, misrepresentation, and deceit on the part of the defendants with respect to Excalibur's purchase of the OceanLaLa. The Company claims that the wrongful actions of the defendants resulted in damages of $19,000,000 to the Company.

August 18, 2010 Excalibur received a statement of claim (equivalent to a complaint in US) from Ezone Capital Co., Ltd., demanding approximately 2,000,000 Euros for the unpaid balance of the purchase price of the OceanLala. Excalibur has denied the claims of Ezone on the basis that the OceanLaLa was defective, unseaworthy, and not fit for its intended purpose. Excalibur has also filed a counterclaim against Ezone seeking a full refund of all amounts paid for the OceanLaLa, as well as reimbursement for amounts spent on maintenance and repairs.

Note 18 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements which are included as part of this report have been issued and has determined that no subsequent events have occurred which need to be disclosed.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Report.

We sell 26 different nutritional products, some of which are oral sprays; 21 different personal care products; an environmentally protective automotive product, an environmentally friendly house cleaner and a flip top portable drinking container which contains a filter to remove impurities from the water. Our products are biodegradable and are not regulated by foreign, federal, state or local environmental laws.

Our nutritional products are non-pharmaceutical nutritional products. They are ingestible through oral liquids, oral sprays, tablets and tea. Our oral sprays are delivered through very fine mist sprayed directly into the mouth. Our containers used to deliver our nutritional products are small, compact and easy to carry.

Our nutritional products are all natural, made from pure ingredients, and are designed to address specific goals of the user such as strengthening the immune system, assisting in weight loss, helping to overcome a sore throat and fighting off colds. Each product has been formulated to address specific need, symptom and condition. We make no claims as to the products curing any medical condition, or preventing any medical ailment.

Our personal care products include lip gloss, perfume, mascara, eyeliner and sunscreen.

We only sell our products to Affiliates through our website. As of January 16, 2011, we had approximately 1,129,995 registered affiliates, most of which were located in China and Hong Kong. As of December 31, 2010, we did not have any sales activities in the United States. None of our Affiliates account for a significant portion of our business. We pay our Affiliates a commission on the products they order from us. The commission is approximately 70% of the total dollar amount of the order. Commissions are considered a reduction of the sales price of our products and are reflected in our financial statements as a reduction in revenue.

On October 25, 2008, we acquired, through a wholly-owned subsidiary, 48.81% of the capital stock of Excalibur International Marine Corporation, a Taiwan corporation, for $19,193,000. Excalibur owns a high speed ship which, until August 2010, transported passengers and cargo between Taiwan and mainland China through the Taiwan Strait. Excalibur's ship, the OceanLaLa, was capable of carrying up to 370 passengers and 630 tons of cargo.

On August 8, 2010 the OceanLaLa was damaged when sailing in the Taiwan Strait. As a result of the damage suffered, the OceanLaLa has been taken out of service temporarily. Excalibur is in discussions with its insurance carrier concerning the amount of damage, if any, which may be covered by its insurance policy.

In February 2010 we assigned the worldwide distribution and servicing rights to a product known as the "EFT-Phone" to Digital Development Partners, Inc. in exchange for 79,265,000 shares of Digital's common stock. The shares we acquired represent approximately 92% of Digital's outstanding common stock.

The EFT-Phone consists of a cell phone which uses the Microsoft Operating System. The EFT-Phone has an application that will allow our Affiliates to access all of their back office sites, including their commission accounts, through which the Affiliates will be able to deposit, withdraw and transfer money to another account or to another Affiliate at no cost. The EFT-Phone will have educational applications and PowerPoint presentation capability for recruiting and training new Affiliates anywhere in the world.

The worldwide distribution and servicing rights to the EFT-Phone include the right to sell the EFT-Phone to our affiliates and others. Servicing includes the collection of service fees for all EFT-Phones worldwide, including monthly fees, usage fees, as well as call forwarding, call waiting, text messaging and video fees. Digital also acquired the rights to distribute all EFT-Phone accessories.

The EFT-Phone is manufactured by an unrelated third party manufacturer. Digital began distributing EFT-Phones in July, 2010.

In July 2010 we loaned $5,000,000 to CTX Virtual Technologies, Inc. The loan to CTX is unsecured, bears interest at 8% per year and can at any time, at our option, be converted into 8,474,576 units, with each unit consisting of one share of CTX's common stock and one warrant. Each warrant allows us to purchase one additional share of CTX's common stock at a price of $1.00 at any time on or before June 23, 2015.

At any time after January 26, 2011 CTX can, at its option, cause the loan to be converted into the same 8,474,576 units.

As further consideration for the loan, CTX has agreed to:

- manufacture the EFT Phone according to our specifications,
- make available to us any new designs or technical features developed by CTX, at no cost, so long as the same are not exclusive to another party
- cooperate with us to incorporate any new designs or technical features into the EFT Phone.
- make available to us, at our cost, CTX's existing service centers which can be used to service the EFT Phone.
- make available to us, at CTX's standard commission rates, CTX's marketing and distribution network.

We believe that our business is robust and that consumers have become more confident in ordering products, like ours, over the internet. However, the nutritional supplement and cosmetic e-business markets have and continue to become increasingly competitive and are rapidly evolving. Barriers to entry are minimal and current and new competitors can launch new websites at a relatively low cost. Many competitors in this area have greater financial, technical and marketing resources than we do. Continued advancement in technology and increasing access to that technology is paving the way for growth in direct marketing. We also face competition for consumers from retailers, duty-free retailers, specialty stores, department stores and specialty and general merchandise catalogs, many of which have greater financial and marketing resources than we have. Notwithstanding the foregoing, we believe that we are well-positioned within the Asian consumer market with our current plan of supplying American merchandise brands to consumers and that our exposure to both the Asian and American cultures gives us a competitive advantage. There can be no assurance that we will maintain our competitive edge or that we will continue to provide only American made merchandise.

Our products are sensitive to business and personal discretionary spending levels and tend to decline or grow more slowly during economic downturns, including downturns in any of our major markets. The current worldwide recession is expected to adversely affect our sales and liquidity for the foreseeable future. Although we have mitigated decreases in sales by lowering our levels of inventory to preserve cash on hand, we do not know when the recession will

subside and when consumer spending will increase from its current depressed levels. Even if consumer spending increases, we are not sure when consumer spending will increase for our products which will affect our liquidity.

The global economy is currently undergoing a period of unprecedented volatility, and the future economic environment may continue to be less favorable than that of recent years. This has led, and could further lead, to reduced consumer spending, and which may include spending on nutritional and beauty products and other discretionary items, such as our products. In addition, reduced consumer spending may force us and our competitors to lower prices. These conditions may adversely affect our revenues and profits.

Results of Operations

Material changes in our Statement of Operations for the three months ended December 31, 2010 compared to the three months ended December, 2009 are discussed below:

Item	Increase (I) or Decrease (D)	Reason
Shipping charges	D	Decrease in sales.
Shipping cost	I	The logistic company we use to ship our products increased their freight charges significantly due to the decline in the value of the US dollar vs. the RMB.
Operating costs - Excalibur	I	Excalibur's operating costs for the three months ended December 31, 2009 were accounted for under the equity method as opposed to being consolidated in the current results period.
Gross Profit as a % of total revenue	D	Gross profit, as a % of total revenue was 35%, during the current period as compared to 68% during the prior period. The main reasons for the decrease in gross profit were decrease in sales, while having a significant increase in shipping cost and the consolidation of the operating costs of Excalibur during the current period with minimal corresponding

		transportation income.
Selling, general and administrative expenses	I	Increase in (a) higher legal and computer consulting fees; (b) higher payroll expenses related to the expansion of several of our sales offices; and (c) the inclusion of the general and administrative expenses of Excalibur, which were consolidated with our expenses during the current period.
Impairment loss of equipment	I	The net book value of the transportation equipment further exceeded its market value during the three months ended December 31, 2010.
Impairment loss of loan receivable	I	We determined during the period that the third party, to whom we made the loan, would be unable to repay the loan.
Interest income	D	Held-to-maturities securities were sold in November.

Gain on disposal of held-to-maturities securities	I	We sold all our corporate notes in November as the issuers of some securities experienced significant deteriorations in their creditworthiness.
Loss on equity method of Excalibur	D	The equity method was used for our investment in Excalibur for the three months ended December 31, 2009. Our 48.81% share of loss from this equity method investment was $464,566 for the three months ended December 31, 2009. For the three months ended December 31, 2010, 100% of Excalibur's loss of approximately $1,709,290 was consolidated with our financial statements, with the corresponding share of the noncontrolling shareholders reported under "noncontrolling interest".
Income tax expenses	I	Provision for tax liabilities due to subpart F income received in prior year.

Material changes in our Statement of Operations for the nine months ended December 31, 2010 compared to the nine months ended December 31, 2009 are discussed below:

	Increase (I) or Decrease

Item	(D)	Reason
Sales revenue, net	D	Sales are recorded net of the commissions paid to Affiliates who are responsible for the sales. Shortage of some popular products and changes in the packaging for several of our products resulted in delay of shipment while commissions for these sales were nevertheless paid.
Shipping charges	D	Decrease in sales.
Shipping cost	I	The logistic company we use to ship our products increased their freight charges significantly due to the decline in the value of the US dollar vs. the RMB.
Operating costs - Excalibur	I	Excalibur's operating costs for the nine months ended December 31, 2009 were accounted for under the equity method as opposed to being consolidated in the current period.
Gross Profit as a % of total revenue	D	Gross profit, as a % of total revenue was 48% as of December 31, 2010 as compared to 72% as of December 31, 2009. The main reasons for the decrease in gross profit were a decrease in sales, while having significant increase in shipping costs and the consolidation of the operating costs of Excalibur during the current period with minimal corresponding transportation income.
Selling, general and administrative expenses	I	Increase in (a) professional fees related to higher audit fee, SOX compliance and fees associated with the addition of a general manager for Tian Quan water plant; (b) higher rental

		expenses associated with the new corporate office in the US; (c) higher payroll expenses related to the expansion of several of our sales offices; and (d) the inclusion of the general and administrative expenses of Excalibur with our expenses during the current period.
Depreciation	I	Excalibur's depreciation expenses for the nine months ended December 31, 2009 were accounted for under the equity method as opposed to being consolidated in the current period.
Impairment		loss of equipment I The net book value

		of the transportation equipment exceeded its market value after damage.
Impairment loss of loan receivable	I	We determined during the period that the third party, to whom we made the loan, would not be able to repay the loan.
Gain on disposal of held-to-maturities securities	I	Held-to-maturities securities were sold in November.
Loss on equity method of Excalibur	D	The equity method was used for our investment in Excalibur for the nine months ended December 31, 2009. Our 48.81% share of loss from this equity method investment was $1,976,154 for the nine months ended December 31, 2009. For the nine months ended December 31, 2010, 100% of Excalibur's loss of approximately $8,072,002 was consolidated with our financial statements, with the corresponding share of the noncontrolling shareholders reported under "noncontrolling interest".
Income tax expenses	I	Provision for tax liabilities due to subpart F income received in prior year.

Capital Resources and Liquidity

The following table shows our sources and (uses) of our cash for the nine months ended December 31, 2010.

	Nine Months Ended December 31,	
	2010	2009
Net cash provided by operating activities	$ 347,941	$ 6,167,557
Net cash (used in) investing activities	(2,190,091)	(6,953,295)
Effect of exchange rate changes on cash	(73,772)	-
Net decrease in cash	$ (1,915,922)	$ (785,738)

We believe our existing cash and cash equivalents will be sufficient to maintain our operations at the present level for at least the next twelve months.

For the nine months ended December 31, 2010, net cash provided by operating activities was $347,941. This was primarily due to net loss of $8,102,266, adjusted by non-cash related expenses that included depreciation and amortization of $978,913, realized gain on available for sale securities of $116,239, realized gain on held-to-maturity securities of $243,855, impairment

loss of $1,567,000 on loan receivable, impairment loss of $5,364,091 on equipment, and a net increase in working capital items of $890,672.

For the nine months ended December 31, 2009, net cash provided by operating activities was $6,167,557. This was primarily due to net income for the period of $1,987,271, adjusted by a non-cash related expenses which included a loss of $3,057,123 accounting for our interest in Excalibur under the equity method.

Material changes in our balance sheet items between December 31, 2010 and March 31, 2010 are discussed below:

Item	Increase (I) or Decrease (D)	Reason
Cash and Cash Equivalents	D	We used some of our excess cash to invest in marketable securities during the nine months ended December 31, 2010. During the quarter ended September 30, 2010, we also reclassified $8,949,324 as securities available for sale that were reported as cash and cash equivalent on March 31, 2010.
Securities Available for sale	I	We used some of our excess cash to invest in marketable securities during the nine months ended December 31, 2010.
Convertible Note Receivable	I	We used $5 million of our excess cash to invest in convertible note receivables bearing 8% interest during the nine months ended December 31, 2010. See Note 4 to the financial statements included as part of this report.
Property and Equipment	D	On August 8, 2010 the OceanLaLa, the ship owned by Excalibur International, was damaged when sailing in the Taiwan Strait. As a result of the damage, we estimated that the net book value of the ship exceeded its market value and as a result, an impairment loss of $5.4 million has been provided in the current period of this report.
Held-to-maturity securities	D	We sold all our corporate notes in November as the issuers of some securities experienced significant deteriorations in their creditworthiness.

See note 5 to the financial statements included as part of this report information concerning a loan we made to an unrelated third party. Future

Contractual Obligations

	Total	2011	2012	2013	2014	Thereafter

Lease payments	$822,688	$122,356	$484,248	$216,084	-	-

We do not have any commitments or arrangements from any person to provide us with any additional capital.

Except as disclosed in this Item 2, we do not know of any trends or demands that affected, or are reasonably likely to affect, our capital resources or liquidity.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition.

Significant Accounting Policies/Recent Accounting Pronouncements

See Note 2 to the financial statements included as part of this report for a description of our significant accounting policies and recent accounting pronouncements which have, or potentially may have, a material impact on our financial statements.

Critical Accounting Policies and Estimates

During the nine months ended December 31, 2010 we did not change any of our critical accounting policies or estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For our nine months ended December 31, 2010 all of our sales were made outside of the United States. Most of our sales are denominated in the United States dollar. In addition, from time to time we make intercompany loans with our foreign subsidiaries that are denominated in the United States dollar.

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of our local currency balances and those of our foreign subsidiaries, as well as loans and transactions denominated in foreign currencies. It is our policy not to enter into derivative financial instruments for speculative purposes. We do not hedge our exposure to foreign currency fluctuations. A 10% adverse change in the underlying foreign currency exchange rates would not be significant to our financial condition or results of operations.

Item 4. Controls and Procedures.

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended ("1934 Act"), is recorded, processed, summarized and reported, within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed in the reports that we file or submit under the 1934 Act, is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of December 31, 2010, our Principal Executive and Financial Officer carried out an evaluation on the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Principal Executive and Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended December 31, 2010 that is reasonably likely to materially affect our internal control over financial reporting.

PART II

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 17 to the financial statements included as part of this report.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

Item 2.Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities.

None

Item 4. Reserved

None

Item 6. Exhibits

Exhibits

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Jack Jie Qin.

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Jack Jie Qin.

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Jack Jie Qin.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EFT BIOTECH HOLDINGS, INC.

Date: February 9, 2011

By: /s/ Jack Jie Qin

Jack Jie Qin, Principal Executive and Financial Officer

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