

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) November 10, 2005

NATURAL HEALTH TRENDS CORP.

(Exact name of Company as specified in its charter)

Delaware	0-26272	59-2705336
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(State or other jurisdiction of incorporation)	(Commission File Number)	IRS Employer Identification No.)

2050 Diplomat Drive	Dallas, TX	75234
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(Address of principal executive offices)	(Zip Code)	

Company's telephone number, including area code (972) 241-4080

12901 Hutton Drive	Dallas, TX	75234
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(Former name or former address, if changed since last report.)		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01 OTHER EVENTS

During September 2005, the Company reorganized its senior management team in connection with an investigation conducted by the Company's Audit Committee. Effective October 3, 2005, the Board of Directors of the Company appointed Robert H. Hesse, a member of the Company's Board of Directors since July 2004, as the Company's Interim Chief Executive Officer. Each of Mark Woodburn and Terry LaCore resigned as officers and members of the Company's Board of Directors due to their failure to cooperate with the Audit Committee's investigation. The investigation was initiated in August 2005 and includes allegations of misconduct by Messrs. Woodburn and LaCore asserted by an unrelated third party arising out of a lawsuit involving Mr. LaCore and such unrelated third party. From October 3, 2005 through November 13, 2005, Messrs. Woodburn and LaCore were employed as the Company's Global Managing Director -- Operations and Global Managing Director -- Business Development, respectively.

The Company also created the Office of the Chief Executive, which is comprised of Mr. Hesse, Chris Sharrng, the Company's Executive Vice President and Chief Financial Officer, and Richard S. Johnson, President of Natural Health Trends -- Japan. The Office of the Chief Executive is responsible for managing the day-to-day operations of the Company. Since Mr. Hesse is no longer considered to be an independent director, he resigned from the Company's Audit Committee in September 2005. The Company's Nominating Committee is in the process of identifying, reviewing and evaluating appropriate candidates for appointment to the Board of Directors as independent directors. The Company intends to appoint two of the anticipated new independent directors to its Audit Committee.

The Company has formed a search committee to identify and consider appropriate candidates to serve as the Company's Chief Executive Officer. While serving as the Company's Interim Chief Executive Officer, the Company pays Mr. Hesse \$2,000 per day plus reimbursement of out-of-pocket expenses.

On November 10, 2005, an independent investigator retained by the Company's Audit Committee learned that an entity controlled by Messrs. Woodburn and LaCore received payments from an independent distributor of the Company's products during 2001 through August 2005. The Company believes that Messrs. Woodburn and LaCore received from such independent distributor a total of approximately \$1.4 million and \$1.1 million, respectively. The Company believes that the fees paid by the Company to such independent distributor were not in excess of the amounts due under the Company's regular distributor compensation plan.

Approximately \$2.4 million of the funds paid by the independent distributor to Messrs. Woodburn and LaCore were paid at the direction of Messrs. Woodburn and LaCore to an entity that is partially owned by Mr. Woodburn's father and Randall A. Mason, a member of the Company's Board of Directors and Chairman of the Company's Audit Committee. The funds were subsequently paid to an entity controlled by Messrs. Woodburn and LaCore at their direction. The Company believes that Mr. Mason was unaware that these payments were directed by Messrs. Woodburn and LaCore to an entity partially owned by him until uncovered by the Audit's Committee's independent investigator on November 10, 2005. Further, the Company believes that Mr. Mason received no pecuniary benefit from the payments made by the independent distributor. Since payments were directed into an entity that is partially owned by Mr. Mason, he no longer can be considered "independent" in accordance with the rules of The Nasdaq Stock Market and under the federal securities laws. Therefore, effective November 11, 2005, Mr. Mason resigned as Chairman and a member of the Company's Audit Committee. Mr. Mason remains as a director.

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On November 14, 2005, in light of the information learned by the Company's Audit Committee on November 10, 2005, the Company has terminated the employment of each of Messrs. Woodburn and LaCore. No severance has been paid by the Company to Messrs. Woodburn and LaCore and the Company is investigating bringing claims or actions against them.

In addition, a loan made by the Company under the direction of Mr. Woodburn in the aggregate principal amount of \$256,000 in February 2004 was previously recorded as a loan to a third party. On November 10, 2005, the Audit Committee investigator learned that the Company actually loaned the funds to an entity owned and controlled by the parents of Mr. Woodburn. The loan was repaid in full, partially by an entity controlled by a third party and partially by an entity controlled by Mr. Woodburn in December 2004.

The Audit Committee's investigation is ongoing and the Company is seeking additional independent directors for its Board of Directors and the committees thereof. The Company intends to amend certain disclosures in previous filings with the Securities and Exchange Commission related to payments made by the independent distributor to Messrs. Woodburn and LaCore and to re-characterize the loan made by the Company to the entity controlled by Mr. Woodburn's parents.

Although we are currently unable to predict the effect of the outcome of the termination of Messrs. Woodburn and LaCore as well as the Audit Committee's investigation on our business, we anticipate that, among other things, the number of active independent distributors and sales revenue could be materially and adversely effected.

ITEM 9.01(c) FINANCIAL STATEMENTS AND EXHIBITS.

99.1 Press Release dated November 15, 2005

SIGNATURES

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

NATURAL HEALTH TRENDS CORP.

Date: November 15, 2005

By: /s/ Robert H. Hesse

Name: Robert H. Hesse
Title: Interim Chief Executive
Officer

NATURAL HEALTH TRENDS CORP.

ANNOUNCES THIRD QUARTER AND NINE MONTHS 2005 RESULTS

QUARTERLY SALES REACHED \$58 MILLION
CONFERENCE CALL TODAY AT 4:15 P.M. EST

DALLAS, TX, NOVEMBER 15, 2005 -- Natural Health Trends Corp. (NASDAQ NMS: BHIP), an international direct-selling company, today announced its financial results for the third quarter ended September 30, 2005 and preliminary results from its Audit Committee investigation.

Financial Results

Net sales in the third quarter of 2005 were approximately \$58.1 million, up 43% from the \$40.5 million for the comparable period a year ago. For the nine months ended September 30, 2005, net sales rose 56% to approximately \$150.8 million compared to \$96.9 million for the same period during 2004.

For the third quarter of 2005, the Company recorded net income of approximately \$0.1 million, or \$0.01 per fully diluted share.

The growth in sales was largely due to significant increase in the Hong Kong-based business, which recorded approximately \$37.7 million net sales in the three months ended September 30, 2005, up from \$23.8 million during the comparable period last year. Sales growth in 2005 over 2004 was also attributable to a 5% product price increase in January 2005 and an increase in the number of independent distributors. As of September 30, 2005, the operating subsidiaries of Natural Health Trends Corp. had approximately 169,000 active distributors, compared to 133,000 at the end of 2004 and 101,000 a year ago.

At the end of the third quarter, the Company had on its balance sheet deferred revenue of approximately \$13.5 million of which \$4.9 million pertained to product orders and \$7.1 million to enrollment package revenue. During April 2005, the Company launched a new product line, Gourmet Coffee Cafe, with its coffee machines, coffee and tea pods, in the North American market. Since the Gourmet Coffee Cafe is a very different product than the Company's other products, relevant accounting rules require that none of the revenue generated from the sale of the coffee machines be recognized until sufficient experience on the product has been established. As a result, deferred revenue also includes approximately \$1.5 million of Gourmet Coffee Cafe product shipped through September 30, 2005.

Gross profit margin for the third quarter was 77.6% of revenue, versus 78.1% for the same period a year ago. The percentage of revenue declined over a year ago, mainly due to significant revenue being deferred from the second into the third quarter a year ago related to the Hong Kong market. Gross margin in the third quarter improved from the 75.1% in the second quarter as the Company is in the process of reducing certain duplicated logistic processes for our Hong Kong-based business.

Distributor commissions were 50.1% of net sales for the three months ended September 30, 2005 compared with 43.0% of net sales for the same period in the prior year. A year ago, due to special events in Hong Kong that occurred in the second quarter, approximately \$6 million of the revenue recognized in the third quarter had its associated commissions already recorded in the second

quarter. Distributor commissions of 50.1% in the third quarter were lower than the 55.3% in the second quarter, mainly due to scaling back local promotional programs in Hong Kong.

Selling, general and administrative expenses ("SG&A") were approximately \$15.1 million or 26.0% of net sales for the three months ended September 30, 2005 compared with approximately \$8.3 million or 20.5% of net sales for the same period in the prior year. This increase of approximately \$6.8 million or 82% was mainly attributable to additional marketing-related expenses primarily in Eastern Europe (\$1.6 million) and Hong Kong/China (\$2.3 million), preparing the opening of new markets in Mexico and Japan (\$1.6 million) and higher

professional fees and personnel costs in North America (\$1.3 million). SG&A are expected to continue to increase in the fourth quarter driven by the opening of the Japanese operations.

Robert H. Hesse, the Interim Chief Executive Officer of Natural Health Trends Corp., said "In the third quarter, we are pleased with the progress of improved profit margin by reducing duplicated logistic process and promotional costs in Hong Kong as we have promised."

The revenue increase for the first nine months of 2005 over a year ago was due to growth in Hong Kong, the anticipated opening of the Japanese office, and additional sales from our KGC subsidiary and Lexxus business in North America.

Gross profit was 77.7% of net sales for the nine months ended September 30, 2005 compared with 77.3% of net sales for the same period in the prior year. This margin increase in gross profit percentage was primarily driven by the 5% price increase as well as the elimination of the commissions paid to MarketVision Communications Corp. after its acquisition by the Company on March 31, 2004.

SG&A were approximately \$36.7 million or 24.3% of net sales for the nine months ended September 30, 2005 compared with approximately \$22.5 million or 23.2% of net sales for the same period in the prior year. The increase of approximately \$14.2 million was due to increased marketing in Eastern Europe by our KGC subsidiary and in North America, higher professional fees and personnel cost in North America, preparing the opening of new markets in Mexico and Japan, and increased personnel costs in Hong Kong.

Mr. Hesse said, "Our strong sales momentum continued in the third quarter. As a cautionary note, we should point out that we are not immune to the uncertainty created by China's pending adoption of the direct selling laws, as other direct selling companies have experienced. The opening of our Japanese operations is our most important event in the fourth quarter, and we are expecting a significant impact from the beginning."

Investigation Results

As previously disclosed, the Company's Audit Committee of the Board of Directors initiated an investigation in August 2005 regarding allegations of misconduct by Messrs. Mark Woodburn and Terry LaCore asserted by an unrelated third party arising out of a lawsuit involving Mr. LaCore and such unrelated third party.

On November 10, 2005, an independent investigator retained by the Company's Audit Committee learned that an entity controlled by Messrs. Woodburn and LaCore received payments from an independent distributor of the Company's products during 2001 through August 2005. The Company believes that Messrs. Woodburn and LaCore received from such independent

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Mr. Hesse said, "As soon as we confirmed the improprieties committed by Mark and Terry, the Company acted as soon as possible to discipline them to protect the Company's best interest. We feel strongly that the right ethical tone has to be set from the top. Meanwhile, we believe that the Company has a strong and deep bench of management members around the world, who are proactively working with our distributor leadership and assuring them of the Company's strong financial position and unwavering support for their continued business development."

The Company will host a conference call today at 4:15 p.m. EST. Those who wish to participate in the conference call may telephone 888-335-6674 approximately 15 minutes before 4:15 p.m. EST. If you cannot participate in the call, but wish to hear it, you may login to Natural Health Trends Corp.'s homepage at www.naturalhealthtrends.com and click on either Windows Media or Real Player approximately 1 1/2 hours after the completion of the call.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995
- -- Forward-looking statements in this release do not constitute guarantees of future performance. Such forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those anticipated. Such statements may relate, among other things, to our relationship with our distributors; our need to continually recruit new distributors; our internal controls and accounting methods that may require further modification; regulatory matters governing our products and network marketing system; our relationship with our majority owned subsidiary operating in Russia and other Eastern European countries; our ability to recruit and maintain key management; adverse publicity associated with our products or direct selling organizations; product liability claims; our reliance on outside manufacturers; risks associated with operating internationally, including foreign exchange risks; product concentration; dependence on increased penetration of existing markets; adverse consequences from audit committee investigation and/or management reorganization; the competitive nature of our business; and our ability to generate sufficient cash to operate and expand our business. For a more detailed discussion of the risks and uncertainties of our business, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the Securities and Exchange Commission. We assume no obligation to update any forward-looking information contained in this press release or with respect to the announcements described herein.

(In Thousands, Except Share Data)

<Table>
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	December 31, 2004	September 30, 2005
	(Unaudited)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$22,324	\$28,324
Restricted cash	2,395	2,127
Accounts receivable	209	524
Inventories, net	13,991	16,918
Other current assets	2,096	6,352
	-----	-----
Total current assets	41,015	54,245
Property and equipment, net	579	2,171
Goodwill	14,145	14,145
Intangible assets, net	5,474	4,769
Deferred tax assets	434	430
Other assets	458	1,050
	-----	-----
Total assets	\$62,105	\$76,810
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$1,344	\$2,418
Income taxes payable	1,797	2,370
Accrued distributor commissions	4,259	5,794
Other accrued expenses	4,154	7,080
Deferred revenue	9,551	13,511
Current portion of debt	796	278
Other current liabilities	1,595	2,189
	-----	-----
Total current liabilities	23,496	33,640
Debt	22	11
	-----	-----
Total liabilities	23,518	33,651
Commitments and contingencies		
Minority interest	598	736
Mezzanine common stock	960	--
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; none issued and outstanding	--	--
Common stock, \$0.001 par value; 50,000,000 shares authorized, 6,819,667 and 7,108,867 shares issued and outstanding at December 31, 2004 and September 30, 2005, respectively	7	7
Additional paid-in capital	64,933	69,428
Accumulated deficit	(27,799)	(27,044)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(112)	32
	-----	-----
Total stockholders' equity	37,029	42,423
	-----	-----
Total liabilities and stockholders' equity	\$62,105	\$76,810
	=====	=====

</Table>

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (In Thousands, Except Per Share Data)

<Table>

<Caption>

	Three Months Ended September 30,		Nine Months Ended September 30,			
	2004	2005	2004	2005		
	As Restated					
<S>	<C>	<C>	<C>	<C>		
Net sales	\$40,482	\$58,071	\$96,913	\$150,789		
Cost of sales	8,870	12,984	21,987	33,590		
Gross profit	31,612	45,087	74,926	117,199		
Operating expenses:						
Distributor commissions		17,422	29,087	49,745	77,959	
Selling, general and administrative expenses		8,288	15,108	22,450	36,662	
Total operating expenses		25,710	44,195	72,195	114,621	
Income from operations		5,902	892	2,731	2,578	
Other expense, net		(91)	(88)	(121)	(761)	
Income before income taxes and minority interest			5,811	804	2,610	1,817
Income tax provision		(857)	(610)	(110)	(924)	
Minority interest		74	(75)	(457)	(138)	
Net income		\$5,028	\$119	\$2,043	\$755	
Income per share:						
Basic		\$0.92	\$0.02	\$0.39	\$0.11	
Diluted		\$0.75	\$0.01	\$0.32	\$0.09	
Weighted-average number of shares outstanding:						
Basic		5,450	6,951	5,189	6,875	
Diluted		6,692	8,418	6,439	8,267	

</Table>