

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Amendment No. 2

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 06, 1997

NATURAL HEALTH TRENDS CORP.

(Exact name of Registrant as specified in its charter)

Florida	0-25238	59-2705336
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2001 West Sample Road, Suite 318, Pompano Beach, FL 33064
(Address of principal executive offices)

(954) 969-9771
Registrant's telephone number, including area code

(Former name or former address, if changed since last report)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

- (a) Financial statements of business acquired.
- (b) Pro forma financial information.

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 hereto duly authorized.

NATURAL HEALTH TRENDS CORP.
(Registrant)

Date: December 23, 1997

By: /s/ Neal Heller

Neal Heller, President

GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Health Alternatives, Inc. and Subsidiaries
Portland, Maine

We have audited the accompanying consolidated balance sheet of Global Health Alternatives, Inc. and Subsidiaries as of December 31, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1996 and 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, the financial position of Global Health Alternatives, Inc. and Subsidiaries as of December 31, 1996, and the results of its operations and its cash flows for the years ended December 31, 1996 and 1995, in conformity with generally accepted accounting principles.

/s/Feldman Radin & Co., P.C.

Feldman Radin & Co., P.C.
Certified Public Accountants

New York, New York
September 24, 1997

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1996

ASSETS

<S>	<C>	
CURRENT ASSETS:		
Cash	\$	242,929
Accounts receivable, net		47,281
Inventories		60,246

TOTAL CURRENT ASSETS		350,456
PROPERTY AND EQUIPMENT, net		39,017
INTANGIBLE AND OTHER ASSETS		2,331,522

	\$	2,720,995
		=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current portion of long-term debt	\$	70,599
Accounts payable and accrued expenses		556,480
Other current liabilities		50,908
Notes payable		358,488

TOTAL CURRENT LIABILITIES		1,036,475

LONG-TERM DEBT		242,091
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.0001 par value, 10,000,000 shares authorized; no shares issued and outstanding		-
Common stock, \$.0001 par value; 10,000,000 shares authorized; 4,745,456 shares issued and outstanding		475
Additional paid-in capital		3,248,805
Accumulated deficit		(1,806,851)

TOTAL STOCKHOLDERS' EQUITY		1,442,429

	\$	2,720,995
		=====

See notes to financial statements.

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

		YEAR ENDED DECEMBER 31,	
		1996	1995
		-----	-----
<S>	<C>	<C>	
REVENUES	\$	285,485	\$ 144,699
COST OF SALES		106,314	122,833
		-----	-----
GROSS PROFIT		179,171	21,866

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,431,628	20,071
NON-CASH IMPUTED COMPENSATION EXPENSE		352,699
		153,850
OPERATING INCOME (LOSS)	(1,605,156)	(152,055)
INTEREST EXPENSE, net	(7,430)	-
INCOME (LOSS) BEFORE INCOME TAXES	(1,612,586)	(152,055)
PROVISION FOR INCOME TAXES	-	-
NET INCOME (LOSS)	\$ (1,612,586)	\$ (152,055)
INCOME (LOSS) PER COMMON SHARE	\$ (0.44)	\$ (0.09)
WEIGHTED AVERAGE COMMON SHARES USED	3,705,888	1,734,817

See notes to financial statements.

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S> Net income (loss)	<C> \$ (1,612,586)	<C> \$ (152,055)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,582	-
Non-cash imputed compensation expense	352,699	153,850
Changes in assets and liabilities (net of effects of acquisition):		
Decrease (increase) in accounts receivable	(38,851)	48,411
Decrease (increase) in inventories	(86,394)	39,616
Decrease (increase) in prepaid expenses and other current assets	(5,258)	-
Decrease (increase) in other assets	(123,006)	-
Increase (decrease) in accounts payable	535,251	(3,489)
Increase (decrease) in accrued expenses	19,159	(8,404)
Increase (decrease) in accrued liabilities	40,967	-
TOTAL ADJUSTMENTS	746,148	229,984

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(866,438)	77,929
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisition, net of cash acquired	(496,336)	-	
Capital expenditures	(42,453)	-	
Proceeds from sales of fixed assets	-	19,346	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(538,789)	19,346
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease (increase) in loans receivable	19,587	(19,587)	
Proceeds from bridge financing	325,000	-	
Proceeds from notes payable and long-term debt	136,281	-	
Payments of notes payable and long-term debt	(224,293)	(85,059)	
Proceeds from issuance of common stock, net of expenses	1,384,551	-	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		1,641,126	(104,646)
NET INCREASE (DECREASE) IN CASH		235,899	(7,371)
CASH, BEGINNING OF YEAR		7,030	14,401
CASH, END OF YEAR	\$ 242,929	\$ 7,030	

See notes to financial statements.

GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

	YEAR ENDED DECEMBER 31,			
			1996	1995
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	\$ 1,056	\$ -		
Income taxes	\$ -	\$ -		

DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

In October 1996, in conjunction with the acquisition of a business, the Company issued 550,250 shares of common stock.

In October 1996, the Company issued 140,000 shares of common stock for the acquisition of certain assets.

In October 1996, ten individuals converted \$76,803 in debt to 66,515 shares of common stock.

In October 1996, the Company incurred a note payable amount of \$325,000 to a seller for the acquisition of assets.

In October 1996, the Company incurred a note payable in the amount of \$75,000 to a seller in a business acquisition.

In October 1996, the Company incurred a note payable in the amount of \$69,000 to a seller in a business acquisition.

See Notes to Financial Statements

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Accumulated	Total					
	Shares	Amount	Paid-in Capital	Deficit						
<S>	<C>	<C>	<C>	<C>	<C>	<C>				
BALANCE - DECEMBER 31, 1994	\$	1,222,000	\$	122	\$	1,079	\$	(42,210)	\$	(41,009)
Net income	-	-	-	(152,055)	1,795					
Shares issued to employees and director	1,384,602	138	-	-	138					
Shares issued to employees and director	307,699	31	153,850	-	153,881					
BALANCE - DECEMBER 31, 1995		2,914,301		291	154,929			(194,265)		(39,045)
Net loss	-	-	-	(1,612,586)	(1,259,887)					
Shares issued to employees and director	307,699	31	307,699	-	307,730					
Shares issued in lieu of compensation	45,000	5	-	-	45,005					
Shares issued to investors	435,000	44	45,000	-	435,000					
Shares issued upon acquisition of assets	140,000	14	291,886	-	291,900					
Shares issued upon acquisition of business	550,250	55	1,147,224	-	1,147,279					
Shares issued upon conversion of liabilities	66,515	7	76,796	-	76,803					
Shares issued upon conversion of liabilities	4,363	0	5,394	-	5,394					
Shares issued to investors	282,328	28	784,921	-	784,949					
BALANCE - DECEMBER 31, 1996		4,745,456	\$	475	\$	3,248,805	\$	(1,806,851)	\$	1,442,429

See Notes to Financial Statements.

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1996

1. ORGANIZATION

Global Health Alternatives, Inc. (Formerly known as Interface Biologics, Inc.) (the "Company") was incorporated under the laws of the State of Delaware in August 1993. The Company is currently engaged principally in research and development; establishing sources of supply; acquiring operating assets and intellectual property; and market development.

The Company's primary business is the marketing and distribution of alternative and complementary health products. During 1995, the Company formed GHA (UK) Ltd., a wholly-owned subsidiary which is an England and Wales corporation. GHA (UK) Ltd. is principally engaged in the marketing and distribution of natural, herbal topical medicines from Asia. Ellon, Inc. is a wholly-owned subsidiary, formed in 1996, which markets and distributes homeopathic flower remedies. In October 1996, the Company acquired (the "Downeast Acquisition") certain operating assets and associated liabilities of Downeast Cranberry Company, Inc. ("Downeast") and began operating that business as FruitSeng, Inc., subsequently re-named Maine Naturals, Inc. Maine Naturals, Inc. markets and distributes colloidal mineral water dietary supplements and herbal-supplemented beverages. In May 1997, the Company entered into a business acquisition with MikeCo., Inc. (doing business as "Natural Health Laboratories"). Natural Health Laboratories markets and distributes an all-natural topical pain relief medicine. This acquisition was accounted for as a pooling of interests. The accompanying financial statements include the accounts of MikeCo. for all periods presented.

In July 1997, the Company consummated a business combination under which it was acquired by Natural Health Trends Corp. ("NHTC") in a purchase business combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Global Health Alternatives, Inc. and its subsidiaries. All material intercompany transactions have been eliminated in consolidation.

B. Accounts Receivable - Accounts receivable consists primarily of revenues due from customers.

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C. Inventories - Inventories consisting primarily of raw materials, work-in-process and finished goods are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

D. Property and Equipment - Property and equipment is carried at cost, or in the case of property and equipment acquired in a business acquisition, the estimated fair market value. Depreciation is computed using the straight-line method over the useful lives of the various assets, which is generally five years for equipment, and furniture and fixtures.

E. Earnings (Loss) Per Common Share - Earnings (loss) per common share are computed on the basis of weighted average number of common shares and dilutive common share equivalents outstanding during the respective periods.

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

G. Fair Value of Financial Instruments - The carrying amounts reported in the balance sheet for cash, receivables, and accrued expenses approximate fair value based on the short-term maturity of these instruments.

H. Income Taxes - The Company accounts for income taxes under the asset

and liability method. Deferred taxes are recognized for the future tax consequences attributable to the differences between the financial statement and tax basis of assets and liabilities, measured at the tax rates expected to apply to taxable income when the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance to the extent that future realization of such assets is unknown.

I. Impairment of Long - Lived Assets - The Company has adopted Statement of Financial Accounting Standards No. 121, "Accounting For The Impairment Of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of" as of January 1, 1996. Such adoption had no material effect on the financial position of the Company.

The Company assesses the recoverability of goodwill by determining whether the amortization of goodwill balance over its remaining life can be recovered through projected, undiscounted, future cash flows of the related companies.

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3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at December 31, 1996:

Equipment, furniture and fixtures	\$ 42,454
Less: Accumulated depreciation	(3,437)
	<u>\$ 39,017</u>

4. OTHER ASSETS

Other assets consisted of the following at December 31, 1996:

Goodwill, net of accumulated amortization of \$19,705	\$ 1,398,964
Customer lists, net of accumulated amortization of \$28,445	927,300
Deposits	5,048
Organization Costs	210
	<u>\$ 2,331,522</u>

The goodwill arises in connection with the Downeast Acquisition made by the Company in October 1996. The goodwill is being amortized over its estimated useful life of 15 years.

Customer lists were acquired from Ellon USA, Inc. in October 1996, and are being amortized over a period of 7 years.

5. LONG-TERM DEBT

Long-term debt consisted of the following on December 31, 1996:

\$375,000 face amount note payable, noninterest bearing, due October 1, 2000 (less unamortized discount based on imputed interest rate of 12% per annum - \$68,313). Initial payment of \$93,750 on October 15, 1996, then monthly payments of \$7,813 beginning on November 1, 1997 and ending October 1, 2000	\$ 212,937
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\$75,000 face amount note payable, noninterest bearing, due September 15, 1998

(less unamortized discount based on imputed interest rate of 12% per annum - \$5,370). Monthly payments of \$4,166 from October 1996 through September 1997, and \$2,084 from October 1997 through September 1998

57,132

\$69,000 face amount note payable, noninterest bearing, due October 15, 1997 (less unamortized discount based on imputed interest rate of 12% per annum - \$2,379). Initial payment of \$19,500 on October 15, 1996, then monthly payments of \$4,500 from December 1996 through October 1997

42,621

312,690

Less: Current portion

(70,599)

\$ 242,091
=====

Long-term debt maturities for the next five years are as follows:

1997	\$	70,599
1998		88,494
1999		79,602
2000		73,995

6. STOCKHOLDERS' EQUITY

A. The Company is authorized to issue 10,000,000 shares of its common stock, \$.0001 par value per share.

B. In September 1995, the Company issued 1,384,602 shares of its common stock to a founder in exchange for \$138.

C. In November 1995, the Company issued 307,699 shares to a company providing consulting services to the Company through a director of the Company.

D. In February 1996, the Company issued 307,699 shares to a company providing consulting services to the Company through a director of the Company.

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E. In February 1996, the Company effected a stock dividend of .8462 shares of common stock for each share then outstanding, resulting in an issuance of 916,668 shares of common stock. This is treated as a recapitalization and is reflected in all share data presented.

F. From February 1996 through June 1996 the Company sold 435,000 shares of its common stock for \$1.00 per share. Since such sales were made to unrelated third parties at \$1.00 per share, such price represents the fair market value of the Company's stock at that time.

G. In June 1996, the Company issued 45,000 shares to three individuals in return for services rendered.

H. From September 1996 through March 1997 the Company sold 300,311 shares of its common stock for approximately \$2.78 per share, of which 282,328 shares were sold during calendar 1996. Since such sales were made to unrelated third parties at \$2.78 per share, such price represents the fair market value of the Company's stock at that time.

I. In October 1996, the Company issued 140,000 shares in exchange for certain tangible and intangible assets.

J. In October 1996, the Company issued 550,250 shares in a business acquisition accounted for as a purchase.

K. In October 1996, ten individuals converted \$76,803 in convertible liabilities into 66,516 shares of the Company's common stock.

L. In October 1996, three individuals converted \$5,394 in accounts payable into 4,363 shares of the Company's common stock.

M. In November and December 1996, and January, February and April 1997, the Company issued warrants to purchase up to 49,272 shares of common stock as part of a private placement of bridge loan financing totaling \$685,000. Warrants to purchase 7,193 shares per \$100,000 loaned (and fewer shares, calculated on a pro rata basis, where applicable) were issued to each lender. Each warrant entitles the security holder to purchase a fixed number of shares of common stock for \$.0278 per share. As of December 31, 1996 (and as of April 8, 1997) no warrant holders have exercised their warrants and purchased underlying shares of common stock, although the Company anticipates that all warrant holders will do so.

7. INCOME TAXES

The Company has incurred operating losses since its inception, and at December 31, 1996 had net operating loss carryforwards and deferred start-up costs for tax purposes of approximately \$1,300,000 available to offset future taxes. The deferred tax asset of approximately \$500,000 related to these amounts has been reduced by a valuation allowance of an equal amount as it is not presently assured that the deferred tax asset will be realized. The operating loss carryforwards expire in the year 2011. Management anticipates that any potential future tax benefit resulting from this loss, and additional losses incurred in the year ending December 31, 1997, will be greatly limited due to the July 1997 acquisition of the Company.

8. COMMITMENTS AND CONTINGENCIES

A. The Company leases its Portland, Maine offices under a cancelable operating lease. The lease term is five years, with a cancellation right after 30 months with a six month notice. The Company's London, England premises are leased on a month-to month basis, with a three month notice provision prior to departing the premises. Rent expense for the year ended December 31, 1996 was \$53,958. Minimum rental commitments over the next five years are as follows:

1997	\$	33,000
1998		12,000
1999		5,000

B. The Company has entered into operating lease agreements for the use of three passenger automobiles, for use by officers of the Company. Two of the lease terms expire in 1999 (3 year leases), while the third expires in 1998 (a two year lease). Upon expiration of these leases, the Company has the right to purchase the subject vehicles at previously agreed-upon prices.

Lease expense for the year ended December 31, 1996 was \$2,571. Minimum automobile lease commitments over the next five years are as follows:

1997	\$	18,851
1998		17,890
1999		10,851

C. The Company has entered into employment agreements with four of its executive officers which currently provide for annual salaries totaling \$395,000. The agreements expire at various times ranging from October 1998 through October 2001. In connection with the acquisitions occurring 1996, the Company entered into consulting and director agreements with three individuals for aggregate annual compensation

totaling approximately \$71,000, expiring on various dates through September 1998. The Company has separately entered into consulting agreements with two other individuals, one for advisory and director services at the rate of \$6,000 per month expiring in May 1997, and the other for advisory services capped at \$15,000 for 1997 and expiring in April 1997.

9. PREFERRED STOCK

The Company is authorized by its articles of incorporation to issue a maximum of 10,000,000 shares of \$.0001 preferred stock, in one or more series and containing such rights, privileges and limitations, including voting rights, dividend rates, conversion privileges, redemption rights and terms, redemption prices and liquidation preferences, as the Company's board of directors may, from time to time, determine. No shares of preferred stock have been issued to date.

10. EMPLOYEE STOCK OPTIONS

The Company has granted options to purchase shares of common stock to officers of the Company. Approximately 237,000 options to purchase shares of common stock have been granted, with exercise prices ranging from \$1.00 per share to \$1.50 per share of common stock. Employee stock option vesting is subject to achieving agreed upon performance criteria or continued employment for a stated period, usually two to four years from the date of the option grant. All such options were cancelled upon the Company's acquisition by NHTC.

11. BUSINESS ACQUISITION

In October 1996, the Company acquired certain assets and assumed certain liabilities of Downeast Cranberry Company, Inc. ("Downeast"), located in South Portland, Maine. The acquisition of Downeast has been accounted for as a purchase and accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair value which approximates book value. The following table summarizes this acquisition:

Purchase price, excluding acquisition costs	\$	1,147,271
Liabilities assumed		303,232
Assets acquired		(31,834)
Goodwill	\$	<u>1,418,669</u>

Goodwill is being amortized over a period of 15 years. The purchase price was settled through the issuance of stock valued at \$1,147,216.

The Company may be required to issue up to 369,350 contingent shares in the event Downeast's cumulative net income equals \$200,000 over the 12 quarters following the acquisition, with the full amount of such contingent shares being issuable if cumulative net income reaches \$1,000,000 over such measurement period. In connection with the Company's acquisition by NHTC, NHTC has agreed to satisfy any such contingent share obligation with NHTC shares.

12. ACQUISITION OF ASSETS

In October 1996, the Company acquired certain assets and assumed certain liabilities of Ellon USA Inc. ("Old Ellon). Assets acquired consisted primarily of customer lists, inventory and receivables and aggregated \$1,112,481. Liabilities assumed, which aggregated \$518,089 consisted of accounts and notes payable and certain accrued expenses.

Customer lists, which were valued at \$955,745, are being amortized over 7 years. The purchase price was settled through a non-interest bearing note payable to the seller of \$375,000 (\$302,491 after accounting for an unamortized imputed interest discount, calculated at a rate of 12% per annum), of which \$93,750 was paid at closing in cash, and the issuance of stock valued at \$291,900.

13. BRIDGE LOAN

In November and December of 1996 and January, February and April of 1997, the Company issued \$685,000 of 12% promissory notes. As of December 31, 1996, the Company had issued a total of \$325,000 of these notes. These notes mature on the earlier to occur of: a) September 15, 1997, or b) the consummation by the Company (or any entity that shall have acquired the Company) of a registered public offering or private placement of shares of its common stock so as to yield net cash proceeds to the Company (or such other entity) of not less than US\$3,000,000. Interest shall be calculated monthly and shall accrue and be payable on the maturity date along with all principal outstanding. Each lender of bridge financing also received a warrant to purchase shares of the Company's common stock. The warrant provides the holder with the right to purchase of \$.0278 per share. The warrants may be exercised after February 10, 1997 and before September 15, 1997.

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14. MIKECO INC. ACQUISITION

In May 1997, the Company consummated a business combination accounted for as a pooling of interests. The accompanying financial statements include the accounts of MikeCo. for all periods presented.

The Company issued 1,222,000 shares of its common stock for all of the outstanding common stock of MikeCo. In addition, the Company has agreed to pay minimum royalties to the inventor of MikeCo's core product line and to his research and development company. These minimum royalties total \$687,000 in the first twelve months following closing; \$937,000 in the second twelve months following closing; \$1,500,000 in the third twelve months following closing; \$2,250,000 in the fourth twelve months following closing; and \$2,250,000 in the fifth twelve months following closing. Also, the Company has also agreed to lend a total of \$375,000 to the inventor's research and development company in the first twenty four months following closing, with no more than \$250,000 of this amount to be loaned in the first twelve months following closing and no more than \$125,000 of this amount in the second twelve months following closing.

The following table presents a breakdown of amounts included in the accompanying statements of operations attributable to each company:

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	Year ended December 31, 1996	
	1996	1995
	-----	-----
REVENUES:		
Global Health Alternatives, Inc. and Subsidiaries	\$ 162,266	\$ 0
MikeCo.	123,219	144,699
Total	\$ 285,485	\$ 144,699
	=====	=====
NET INCOME (LOSS):		
Global Health Alternatives, Inc. and Subsidiaries	\$ (1,601,760)	\$ (153,850)
MikeCo.	(10,826)	1,795
Total	\$ (1,612,586)	\$ (152,055)
	=====	=====

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15. SUBSEQUENT EVENT

In July 1997, the Company, pursuant to an agreement, ("the Merger Agreement") was acquired by Natural Health Trends Corp. ("NHTC"), a Florida corporation based in Pompano Beach, Florida. The Merger Agreement provided for the exchange of all of the Company's outstanding common stock for 5,800,000 shares of NHTC's common stock. Additional shares are contingently issuable upon the Company achieving certain performance goals.

GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

JUNE 30, 1997

(UNAUDITED)

ASSETS

CURRENT ASSETS:

Cash	\$	615,767
Accounts receivable, net		91,209
Inventories		271,539
Prepaid expenses		60,860

TOTAL CURRENT ASSETS		1,039,375
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PROPERTY AND EQUIPMENT, net		65,111
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INTANGIBLE AND OTHER ASSETS		2,527,204
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	\$	3,631,690
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LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:

Current portion of long-term debt	\$	102,874
Accounts payable and accrued expenses		1,337,013
Other current liabilities		25,560
Notes payable		2,652,559

TOTAL CURRENT LIABILITIES		4,118,006
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LONG-TERM DEBT		225,002
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STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock, \$.0001 par value, 10,000,000 shares authorized; no shares issued and outstanding		-
Common stock, \$.0001 par value; 10,000,000 shares authorized; 4,829,768 shares issued and outstanding		483
Additional paid-in capital		3,314,577
Accumulated deficit		(4,026,378)

TOTAL STOCKHOLDERS' EQUITY (DEFICIT) (711,318)

\$ 3,631,690
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See notes to financial statements.

GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1997

(UNAUDITED)

REVENUES	\$	623,150	
COST OF SALES		317,615	

GROSS PROFIT		305,535	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		2,438,975	

OPERATING LOSS		(2,133,440)	
INTEREST EXPENSE, net		(86,087)	

LOSS BEFORE INCOME TAXES		(2,219,527)	
PROVISION FOR INCOME TAXES		-	

NET LOSS	\$	(2,219,527)	
		=====	
LOSS PER COMMON SHARE	\$	(0.46)	
		=====	
WEIGHTED AVERAGE COMMON SHARES USED			4,774,923
			=====

See notes to financial statements.

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1997

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:

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<C>

Net income (loss)	\$ (2,219,527)	

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	89,778	
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(43,928)	
Decrease (increase) in inventories	(211,293)	
Decrease (increase) in prepaid expenses and other current assets	(60,860)	
Decrease (increase) in other assets	(279,690)	
Increase (decrease) in accounts payable	427,651	
Increase (decrease) in accrued expenses	274,312	
Increase (decrease) in accrued liabilities	85,514	

TOTAL ADJUSTMENTS	281,484	

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(1,938,043)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(31,864)	

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(31,864)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bridge financing	360,000	
Proceeds from notes payable and long-term debt	1,982,745	

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		2,342,745

NET INCREASE (DECREASE) IN CASH		372,838
CASH, BEGINNING	242,929	

CASH, ENDING	\$ 615,767	
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See notes to financial statements.

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GLOBAL HEALTH ALTERNATIVES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED 0CONSOLIDATED FINANCIAL STATEMENT
SIX MONTHS ENDED JUNE 30, 1997

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position and the results of operations for the interim periods presented. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results attainable for a full fiscal year.

2. EARNINGS (LOSS) PER SHARE

Per share information is computed based on weighted average number of shares outstanding during the period.

3. NOTES PAYABLE

During 1997, prior to the Company's acquisition by Natural Health Trends Corp., NHTC lent the Company \$1,964,000, which amount was eliminated upon the consolidation of the companies.

4. POOLING OF INTERESTS

In May 1997, the Company consummated a business combination accounted for as a pooling of interest with MikeCo., Inc. The accompanying financial statements include the accounts of MikeCo. for all periods presented.

The following table presents a breakdown of amounts included in the accompanying statement of operations attributable to each company:

	Six months ended June 30, 1996	

REVENUES:		
Global Health Alternatives, Inc. and Subsidiaries	\$	488,705
MikeCo.		134,445

Total	\$	623,150
	=====	
NET INCOME (LOSS):		
Global Health Alternatives, Inc. and Subsidiaries	\$	(1,742,835)
MikeCo.		(476,692)

Total	\$	(2,219,527)
	=====	

NATURAL HEALTH TRENDS CORP. AND GLOBAL HEALTH ALTERNATIVES, INC.
UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

The accompanying pro forma condensed financial statements have been prepared to show the effects of the July 23, 1997 acquisition of Global Health Alternatives, Inc. by Natural Health Trends Corp. ("NHTC"). This acquisition is accounted for as a purchase business combination.

The following unaudited pro forma consolidated balance sheet presents the pro forma financial position of the NHTC at June 30, 1997 as if the acquisition of Global Health Alternatives, Inc. had occurred on such date. Included are adjustments to record the value of the 5,800,000 shares of NHTC common stock issued, and the resulting goodwill.

The unaudited pro forma consolidated statements of operations for the six months ended June 30, 1997 and the year ended December 31, 1996 reflects the combined results of NHTC and Global Health Alternatives, Inc. and Subsidiaries as if the acquisition had occurred on January 1, 1996, adjusted to reflect goodwill amortization.

The unaudited pro forma consolidated statement of operations does not necessarily represent actual results that would have been achieved had the companies been together as of January 1, 1996, nor may it be indicative of future operations. These unaudited pro forma consolidated financial statements should be read in conjunction with the Companies historical financial statements and notes thereto.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES/GLOBAL HEALTH ALTERNATIVES, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

	Pro Forma	
	Natural Health Trends, Corp. and Subsidiaries	Global Health Alternatives, Inc. and Subsidiaries
		Adjustments Acquisition of Global Health

	June 30,	June 30,	Alternatives, Inc.	
	1997	1997	DR (CR)	Total
<S>	<C>	<C>	<C>	<C>
CURRENT ASSETS:				
Cash	\$ 172,393	\$ 615,767	\$	\$ 788,160
Restricted cash	250,000	-		250,000
Accounts receivable, net	1,582,486	91,209		1,673,695
Inventories	335,003	271,539		606,542
Due from officers	141,379	-		141,379
Due from affiliate	23,724	-		23,724
Prepaid expenses and other current assets	318,443	60,860		379,303
TOTAL CURRENT ASSETS	2,823,428	1,039,375		3,862,803
PROPERTY AND EQUIPMENT, net	3,206,377	65,111		3,271,488
LOANS RECEIVABLE	1,964,000	-	(1,964,000)	-
INTANGIBLE AND OTHER ASSETS	1,875,743	2,527,204		8,014,256
	\$ 9,869,539	\$ 3,631,690	\$ 1,647,318	\$ 15,148,547

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:				
Current portion of long-term debt	\$ 56,468	\$ 102,874	\$	\$ 159,342
Accounts payable and accrued expenses	689,025	1,337,013		2,026,038
Deferred revenue	758,200	-		758,200
Current portion of accrued consulting contract	246,607	-		246,607
Other current liabilities	244,726	25,560		270,286
Notes payable	-	2,652,559	1,964,000	688,559
TOTAL CURRENT LIABILITIES	1,995,026	4,118,006		4,149,032
LONG-TERM DEBT	1,876,704	225,002		2,101,706
DEBENTURES PAYABLE	1,000,000	-		1,000,000
ACCRUED CONSULTING CONTRACT		149,294	-	149,294
COMMON STOCK SUBJECT TO PUT		380,000	-	380,000
STOCKHOLDERS' EQUITY:				
Convertible preferred stock, \$.001 par value, 1,500,000 shares authorized; 2,200 shares issued and outstanding	1,900,702	-		1,900,702
Common stock, \$.001 par value; 40,000,000 shares authorized; 12,811,261 shares issued and outstanding actual and 18,611,261, pro forma	12,811	483	(5,317)	18,611
Additional paid-in capital	6,617,013	3,314,577	506,549	9,511,213
Accumulated deficit	(3,627,011)	(4,026,378)	(4,026,378)	(3,627,011)
Common stock subject to put	(380,000)	-		(380,000)
Prepaid stock compensation	(55,000)	-		(55,000)
TOTAL STOCKHOLDERS' EQUITY	4,468,515	(711,318)		7,368,515
	\$ 9,869,539	\$ 3,631,690	\$ (1,647,318)	\$ 15,148,547

See notes to pro forma financial statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES/GLOBAL HEALTH ALTERNATIVES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Natural Health Trends, Corp. and Subsidiaries Year ended December 31,	Global Health Alternatives, Inc. and Subsidiaries Year ended December 31,	Pro Forma Adjustments Acquisition of Global Health Alternatives, Inc.		
	1996	1996	DR (CR)		Total
<S>	<C>	<C>	<C>	<C>	
REVENUES	\$ 7,218,841	\$ 285,485	\$	\$	7,504,326
COST OF SALES	4,442,499	106,314			4,548,813
GROSS PROFIT	2,776,342	179,171			2,955,513
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,412,769	1,431,628	180,566		5,024,963
NON-CASH IMPUTED COMPENSATION EXPENSE	22,000	352,699			374,699
OPERATING LOSS	(658,427)	(1,605,156)			(2,444,149)
INTEREST EXPENSE, net	(231,112)	(7,430)			(238,542)
LOSS BEFORE INCOME TAXES	(889,539)	(1,612,586)			(2,682,691)
PROVISION FOR INCOME TAXES	-	-			-
NET LOSS	\$ (889,539)	\$ (1,612,586)	\$ 180,566	\$	(2,682,691)
LOSS PER COMMON SHARE	\$ (0.08)			\$	(0.16)
WEIGHTED AVERAGE COMMON SHARES USED	11,213,980		5,800,000		17,013,980

See notes to pro forma financial statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES/GLOBAL HEALTH ALTERNATIVES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Natural Health Trends, Corp. and Subsidiaries Six Months June 30,	Global Health Alternatives, Inc. and Subsidiaries Six Months June 30,	Pro Forma Adjustments Acquisition of Global Health Alternatives, Inc.		
	1997	1997	DR (CR)		Total
<S>	<C>	<C>	<C>	<C>	
REVENUES	\$ 4,060,922	\$ 623,150	\$	\$	4,684,072
COST OF SALES	2,186,476	317,615			2,504,091

GROSS PROFIT	1,874,446	305,535	2,179,981	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,064,154	2,438,975	90,283	4,593,412
COST OF SEVERING EMPLOYMENT AGREEMENT	497,246	-	497,246	
LITIGATION SETTLEMENT	118,206	-	118,206	
NON-CASH IMPUTED COMPENSATION EXPENSE	25,000	-	25,000	
OPERATING LOSS	(830,160)	(2,133,440)	(3,053,883)	
INTEREST EXPENSE, net	(526,728)	(86,087)	(612,815)	
LOSS BEFORE INCOME TAXES	(1,356,888)	(2,219,527)	(3,666,698)	
PROVISION FOR INCOME TAXES	-	-	-	
NET LOSS	(1,356,888)	(2,219,527)	90,283	(3,666,698)
PREFERRED STOCK DIVIDENDS	(220,000)	-	-	(220,000)
LOSS TO COMMON SHAREHOLDERS \$	(1,576,888)	(2,219,527)	90,283	(3,886,698)
LOSS PER COMMON SHARE \$	(0.13)			(0.21)
WEIGHTED AVERAGE COMMON SHARES USED	12,611,868	5,800,000	18,411,868	

See notes to pro forma financial statements.

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NATURAL HEALTH TRENDS CORP. AND GLOBAL HEALTH ALTERNATIVES, INC.
NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

- A. The following unaudited pro-forma adjustments are included in the accompanying unaudited pro forma consolidated balance sheet at June 30, 1997:
- (1) To record the acquisition of the stock of Global Health Alternatives, Inc. for 5,800,000 shares of NHTC common stock valued at the market value of \$2,900,000. This acquisition is accounted for as a purchase business combination. The resulting goodwill totals \$3,611,318.
 - (2) To eliminate intercompany loans.
- B. The following pro-forma adjustments are included in the accompanying unaudited pro forma consolidated statements of operations for the six months ended June 30, 1997 and the year ended December 31, 1996 which has been prepared to reflect the July 23, 1997 acquisition as if it had occurred on January 1, 1996:
- (1) To amortize goodwill recorded in the acquisition over a period of 20 years.

