

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

FORM 10-QSB/A
(Amendment No. 1)

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

For Quarter Ended September 30, 2001

OR

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

For the transition period from to

Commission file number: 0-25238

NATURAL HEALTH TRENDS CORP.

(Exact Name of Small Business Issuer as Specified in its Charter)

Florida 59-2705336
State or other jurisdiction of (I.R.S. Employer
incorporation or organization Identification No.)

12901 Hutton Drive
Dallas, Texas 75234
(Address of Principal Executive Office) (Zip Code)

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

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares of issuer's Common Stock, \$.001 par value, outstanding as of October 29, 2001 was 2,128,477 shares.

NATURAL HEALTH TRENDS CORP.

FORM 10-QSB/A

For Quarter Ended September 30, 2001

Explanatory Note:

The purpose of this amendment is to amend Part I Item 2 - Management's Discussion and Analysis and Part I, Item 1 -Financial Statements for the restatements identified in note 2 to the consolidated financial statements and to give effect to the 1 for 100 reverse stock split in March 2003. All other items remain unchanged from the original filing.

During the quarters ended September 30 and December 31, 2003, the Company re-evaluated its financial statements for the years ended December 31, 2002 and 2001, the quarterly periods included in such years and the quarterly periods ended March 31, June 30 and September 30, 2003. As a result of such review, the Company determined that it inadvertently applied the incorrect accounting treatment with respect to the following items:

- (i) revenue recognition with respect to administrative enrollment fees;
- (ii) revenue cut-off between 2002 and 2003;
- (iii) reserves established for product returns and refunds;
- (iv) the gain recorded in connection with the sale of a subsidiary in 2001; and
- (v) income tax provisions.

Consequently, the Company is amending and restating its financial statements for each quarter in 2001, 2002 and 2003 as well as the Form 10-KSB for the years ended December 31, 2001 and 2002.

NATURAL HEALTH TRENDS CORP.

FORM 10-QSB/A

For Quarter Ended September 30, 2001

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

September 30,

2001
As Restated

ASSETS

Current Assets:	
Cash	\$ 1,666,257
Account receivables	166,174
Restricted cash	80,752
Inventory	860,231
Prepaid expenses and other current assets	671,884

Total Current Assets	3,445,298
Property and equipment, net	155,128
Goodwill	524,000
Deposits and other assets	84,068

Total Assets	\$ 4,208,494
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:	
Accounts payable	\$ 4,653,883
Accrued expenses	242,265
Accrued associate commissions	217,640
Notes payable	395,875
Current portion of long-term debt	138,776
Deferred revenue	1,458,471
Other current liabilities	83,870

Total Current Liabilities	7,190,780

Long-term debt	378,988

Total Liabilities	7,569,768

Stockholders' Deficit:	
Preferred stock	2,276,258
Common stock	2,123
Additional paid in capital	29,256,250
Accumulated deficit	(34,310,026)
Deferred compensation	(565,417)
Accumulated other comprehensive income	(20,462)

Total Stockholders' Deficit	(3,361,274)

Total Liabilities and Stockholders' Deficit	\$ 4,208,494
	=====

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

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>
<CAPTION>

Three Months Ended September 30,	Nine Months Ended September 30,
2001	2001

	As Restated	2000	As Restated	2000
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 7,028,882	\$ 1,544,067	\$ 19,114,349	\$ 6,498,739
Cost of sales	1,275,035	527,814	4,350,485	1,673,865
Gross profit	5,753,847	1,016,253	14,763,864	4,824,874
Associate commissions	2,879,856	682,511	9,333,493	2,801,729
Selling, general and administrative expenses	2,496,411	1,076,072	4,290,066	3,635,712
Operating income (loss)	377,580	(742,330)	1,140,305	(1,612,567)
Minority interest in subsidiary	--	16,199	--	80,736
Gain (loss) on foreign currency	231	--	(13)	7,427
Other income, net	20,137	23,872	55,146	--
Interest (expense) income, net	4,088	(41,287)	(11,446)	(59,487)
Net income (loss) from continuing operations	402,036	(743,546)	1,183,992	(1,583,891)
Discontinued Operations:				
Loss from discontinued operations	--	(15,000)	--	(19,822)
Net income (loss)	402,036	(758,546)	1,183,992	(1,603,713)
Preferred stock dividends	50,875	296,364	281,804	296,568
Net income (loss) to common stockholders	\$ 351,161	\$ (1,054,910)	\$ 902,188	\$ (1,900,281)
Basic income (loss) per common share	\$ 0.19	\$ (12.27)	\$ 0.84	\$ (23.19)
Basic weighted common shares used	1,867,081	85,966	1,073,852	81,937
Diluted income (loss) per common share	\$ 0.10	\$ (12.27)	\$ 0.54	\$ (23.19)
Diluted weighted common shares used	3,538,772	85,966	1,671,338	81,937

</TABLE>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001		2001	
	As Restated	2002	As Restated	2000
<S>	<C>	<C>	<C>	<C>
Net income (loss)	\$ 402,036	\$ (758,546)	\$ 1,183,992	\$(1,603,713)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(20,462)	--	16,741	--
Comprehensive income (loss)	\$ 381,574	\$ (758,546)	\$ 1,200,733	\$(1,603,713)

</TABLE>

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

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,	
	2001	
	As Restated	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,183,992	\$(1,603,713)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,259	375,505
Impairment of fixed assets	35,448	--
Loss on disposal of fixed asset	--	114,868
Common stock issued for services and interest/penalties	1,333,861	(485)
Changes in operating assets and liabilities:		
Accounts receivable	(114,406)	103,058
Inventories	(663,162)	244,699
Prepaid expenses and other current assets	(654,292)	(27,136)
Deposits and other assets	(521,029)	(84,199)
Accounts payable	1,607,115	488,380
Accrued expenses(i)	(1,201,555)	277,933
Deferred revenue	1,339,058	(500,242)
Other current liabilities	(200,785)	(2,189)
Total Adjustments	967,512	990,192
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,151,504	(613,521)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(141,709)	(538)
Business acquisitions, net of cash acquired	--	(253,326)
(Increase)Decrease in Restricted Cash	(7,918)	93,152
NET CASH USED IN INVESTING ACTIVITIES	(149,627)	(160,712)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Proceeds from preferred stock	50,000	1,000,000	
Proceeds from notes payable and long-term debt(i)	150,000	389,701	
Payments of capital lease obligation	(46,590)	--	
Payments of notes payable and long-term debt	(48,773)	(194,351)	
Change in deferred compensation	(565,417)		
Redemption of preferred stock	--	(359,153)	
	-----	-----	
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(460,780)	836,197	
	-----	-----	
Effect of exchange rate	16,741	--	
NET INCREASE IN CASH	1,557,838	61,964	
CASH, BEGINNING OF PERIOD	108,419	434,063	
	-----	-----	
CASH, END OF PERIOD	\$ 1,666,257	\$ 496,027	
	=====	=====	

(i) Certain accrued expenses were reclassified to notes payable and debt as of December 31, 2000.

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

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NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)

1. Basis of Presentation

The accompanying unaudited financial statements of Natural Health Trends Corp. and its subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) of financial position and results of operations for the interim periods have been presented. 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. Operating results for the nine month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000.

NHTC's common stock, par value \$.001 per share (the "Common Stock"), is listed on the OTC Bulletin Board (the "OTCBB"). In March 2003, we effected a 1-for-100 reverse stock split with respect to our outstanding shares of Common Stock. In addition, the trading symbol for the shares of our Common Stock changed from "NHTC" to "NHLIC". The effect of the reverse is reflected throughout this document.

2. Restatement of Previously Issued Financial Statements

During the quarters ended September 30 and December 31, 2003, the Company re-evaluated its financial statements for the years ended December 31, 2002 and 2001, the quarterly periods included in such years and the quarterly

periods ended March 31, June 30 and September 30, 2003. As a result of such review, the Company determined that it inadvertently applied the incorrect accounting treatment with respect to the following items:

- (i) revenue recognition with respect to administrative enrollment fees;
- (ii) revenue cut-off between 2002 and 2003;
- (iii) reserves established for product returns and refunds;
- (iv) the gain recorded in connection with the sale of a subsidiary in 2001;
and
- (v) income tax provisions.

Consequently, the Company is amending and restating its financial statements for each quarter in 2001, 2002 and 2003 as well as the Form 10-KSB for the years ended December 31, 2001 and 2002.

In connection with the engagement of a new independent accounting firm and the review of the Company's financial statements, the Company has revised its accounting treatment for administrative enrollment fees received from distributors in accordance with the principles contained in Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", ("SAB 101") and related guidance. The Company determined that under SAB 101, such fees actually received and recorded as current sales in prior quarters should have been deferred and recognized as revenue on a straight-line basis over

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the twelve-month term of the membership. The restatement resulted in net sales for the three and nine-month periods ended September 30, 2001 being decreased by approximately \$520,000 and \$1,445,000, respectively. The restatement in net sales resulted in a corresponding adjustment to cost of sales for direct costs paid to a third party associated with the administrative enrollment fees received from distributors. Compared to amounts previously reported, the restatement decreased cost of sales by approximately \$187,000 and \$520,000 for the three and nine-month periods ended September 30, 2001, respectively.

In connection with the 2003 annual audit, the Company reviewed its revenue cut-off as of the beginning of 2003. There was no impact of this item to the 2001 financial statements.

The Company had not recorded reserves for distributor returns and refunds as of September 30, 2003 and for prior periods. Based upon analysis of the Company's historical returns and refund trends by country, it was determined that the reserves for returns and refunds for prior quarters were required and should be recorded. The restatement resulted in no adjustment in the three and nine month periods ended September 30, 2001.

In 2001, the Company sold all of the outstanding common stock in Kaire Nutraceuticals, Inc. ("Kaire"), a Delaware corporation and wholly-owned subsidiary, to an unrelated third party. The gain on the sale of Kaire was approximately \$3.1 million, a portion of which was previously deferred. The Company subsequently recognized into income approximately \$1.9 million from the transaction over the period from the fourth quarter of 2001 through the second quarter of 2003. Based upon a review of the transaction, the Company now believes the gain on sale of Kaire should have been recognized only in 2001 and 2002 and not in 2003. The restatement resulted in no adjustment in the three and nine month periods ended September 30, 2001.

The Company disclosed in its 2002 Form 10-KSB that it had a net operating loss carry forward at December 31, 2002 of approximately \$6,000,000, subject to certain limitations. Consequently, the Company made no provision for income taxes for any period in 2002 or 2001. Upon further review, it has been determined that the available net operating loss was not expected to be sufficient to offset all of the domestic and foreign taxable income in 2002 or 2001. The restatement resulted in no adjustment in the three and nine month periods ended September 30, 2001.

The following table presents amounts from operations as previously reported and as restated (in thousands, except for per share data):

<TABLE>
<CAPTION>

Three Months Ended Nine Months Ended

	September 30, 2001		September 30, 2001	
	As Previously Reported	As Restated	As Previously Reported	As Restated
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 7,549	\$ 7,029	\$ 20,559	\$ 19,114
Cost of sales	1,462	1,275	4,870	4,350
Gross profit	6,087	5,754	15,689	14,764
Operating expenses	5,376	5,376	13,624	13,624
Operating income	711	378	2,065	1,140
Interest expense, other income, loss on foreign exchange and gain on discontinued operations	24	24	44	44
Net income	735	402	2,109	1,184
Preferred stock dividends	51	51	282	282
Net income available to common stockholders	\$ 684	\$ 351	\$ 1,827	\$ 902
Basic income per share	\$ 0.37	\$ 0.19	\$ 1.70	\$ 0.84
Basic weighted common share used	1,867	1,867	1,074	1,074
Diluted income per share	\$ 0.19	\$ 0.10	\$ 1.09	\$ 0.54
Diluted weighed commons shares used	3,539	3,539	1,671	1,671

</TABLE>

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Basic and Diluted Income per share:

The adjustments in net sales and cost of sales resulted in a net decrease in net income available to stockholders of approximately \$333,000 and \$925,000 over the amounts previously reported for the three and nine months ended September 30, 2001, respectively. Restated basic and diluted income per share decreased \$0.18 and \$0.09, respectively, for the three months ended September 30, 2001. Restated basic and diluted income per share decreased \$0.86 and \$0.55, respectively, for the nine months ended September 30, 2001.

3. Principles of Consolidation and Accounting Policies

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the USA 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.

Revenue Recognition

The Company's revenues are primarily derived from sales of products, sales of starter and renewal administrative enrollment packs and shipping fees. Substantially all product sales are sales to associates at published wholesale prices. The Company defers a portion of its revenue from the sale of its starter and renewal packs related to its administrative enrollment fee. The Company amortizes its deferred revenue and its associated direct costs over twelve months, the term of the membership. Total deferred revenue for the Company was approximately \$1,458,000 as of September 30, 2001.

The Company also estimates and records a sales return reserve for possible sales refunds based on historical experience.

Shipping and Handling Costs

The Company records freight and shipping revenues collected from associates as revenue. The Company records shipping and handling costs associated with shipping products to its associates as cost of goods sold.

Earnings Per Share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented.

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4. Equity Transactions

During the first nine months of 2001, the Company received notice of conversion on \$3,526,152 of Series E, F, G, H and J Preferred Stock. The Company issued 1,427,741 shares of common stock in settlement of the shares of Preferred Stock and the accrued dividends thereon.

In April 2001, the Company issued an additional \$50,000 of Series H Preferred Stock. The Company recorded a beneficial conversion feature of \$16,667.

In February 2001 we borrowed \$50,000 from an individual. The loan bears interest at 12% interest per annum and was due in April. We have received an extension on repayment until September 2001.

The Company issued 30,000 shares of common stock in connection with the Founder's Agreement in April 2001, in the start-up phase of Lexxus International, Inc. In connection with this agreement, the Company issued an additional 70,000 shares of common stock to the founding partners of Lexxus International, Inc. during July 2001. The Company has recorded an intangible asset of approximately \$500,000 in connection with the acquisition.

The Company increased the number of authorized shares to 500,000,000 common stock, par \$.001, in January 2001 by a majority vote of the Board of Directors in order to meet its obligations with respect to convertible securities.

The Company issued 5,000 shares of common stock to certain management employees in April 2001 and recorded \$30,500 of compensation expense.

The Company issued 2,000 shares of common stock to a consulting firm in August 2001 and recorded \$11,800 of consulting expense.

In August 2001, the Company issued 200,000 shares of common stock to two consulting firms as part of a long-term consulting agreement. This issuance was recorded as deferred compensation and will be amortized over the life of the agreements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussions should be read in conjunction with the consolidated financial statements and notes contained in Item 1 hereof.

Forward Looking Statements

When used in Form 10-QSB and in future filings by the Company with the Securities and Exchange Commission, the words "will likely result", "the Company expects", "will continue", "is anticipated", "estimated", "projected", "outlook" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. The Company wishes to caution readers not to place undue reliance on such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The

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Company has no obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Overview

Prior to August 1997, the Company's operations consisted of the operations of Natural Health Care Centers, and vocational schools. Upon the acquisition of Global Health Alternatives, Inc. ("GHA") on July 23, 1997, the Company commenced marketing and distributing a line of natural, over-the-counter homeopathic pharmaceutical products. In February 1999, the Company acquired the assets of Kaire International, Inc. and commenced marketing and distributing a line of natural, herbal based dietary supplements and personal care products through an established network marketing system.

The Company discontinued the operations of the natural health care centers during the third quarter of 1997 and sold the vocational schools in August 1998. During the fourth quarter of 1999, the Company ceased GHA activity and in March 2001 filed for Chapter 7 Bankruptcy in U.S. Federal Court, North Dallas. In January 2001 we launched Lexxus International, Inc., a majority owned subsidiary and commenced marketing and distributing a line of woman's topical creme that assists in sexual stimulation.

Results of Operations - Nine Months Ended September 30, 2001 Compared To the Nine Months Ended September 30, 2000.

As discussed in Note 2 to the consolidated financial statements, we have amended and restated our results for the three and nine months ended September 30, 2001. All of the following analyses apply the basis of the restated amounts.

Net Sales. Net sales were approximately \$19,114,000 and \$6,499,000 for the nine months ended September 30, 2001 and September 30, 2000 respectively; an increase of \$12,615,000. The increase in sales is attributable to the introduction of the subsidiary, Lexxus International, Inc. which had sales of approximately \$15,755,000 for the nine months. This increase was partially offset by a reduction in sales by eKaire.com and reduced by the deferral of revenue related to the administrative enrollment fee of distributors.

Cost of Sales. Cost of sales for the nine months ended September 30, 2001 was approximately \$4,350,000 or 23% of net sales. Cost of sales for the nine months ended September 30, 2000 was approximately \$1,674,000 or 26% of net sales. The total Cost of sales increased due to increased sales volume year over year and the costs associated with the packaging of the Lexxus product line and by the deferral of the cost of sales related to the direct cost of the administrative enrollment fee of the distributors.

Gross Profit. Gross profit increased from approximately \$4,825,000 in the nine months ended September 30, 2000 to approximately \$14,764,000 in the nine months ended September 30, 2001. The increase of approximately \$9,939,000 was attributable to higher sales volumes by Lexxus partially offset by the deferral of both revenue and cost of sales related to the administrative enrollment fee of distributors.

Associate Commissions. Associate commissions were approximately \$9,333,000 or 49% of net sales in the nine months ended September 30, 2001 compared to approximately \$2,802,000 or 43% of net sales for the nine months ended September 30, 2000. This increase is attributable to the higher payout percentage associated with the Lexxus compensation plan.

Selling, General and Administrative Expenses. Selling, general and administrative costs as a percentage of net sales decreased from approximately \$3,636,000 or 56% of sales in the nine months ended September 30, 2000 to approximately \$4,290,000 or 22% of sales in the nine months ended September 30, 2001. These costs as a percentage of net sales decreased primarily due to eKaire.com's reduction of expenses and Lexxus sharing overhead in its start-up phase.

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Operating Income (loss). Operating income (loss) increased from a loss of approximately \$1,613,000 in the nine months ended September 30, 2000 to operating income of approximately \$1,140,000 in the nine months ended September 30, 2001.

Other Income (expenses) and Interest. Other expense and interest of approximately \$59,000 in the nine months ended September 30, 2000 increased to other income and interest of approximately \$44,000 in the nine months ended September 30, 2001, a change of approximately \$103,000. This increase is due primarily to a decrease in interest-bearing liabilities and an increase in interest-bearing assets.

Income Taxes. Income tax benefits were not reflected in either period. The anticipated benefits of utilizing net operating losses against future profits were not recognized in the nine months ended September 30, 2001 or the nine months ended September 30, 2000 under the provisions of Financial Standards Board Statement of Financial Accounting Standards No. 109 (Accounting for Income Taxes), utilizing the Company's loss carry forward as a component of income tax expense. A valuation allowance equal to the net deferred tax asset has been recorded, as management of the Company has not been able to determine that it is more likely than not that the deferred tax assets will be realized.

Net Income (Loss). Net income was approximately \$1,184,000 in the nine months ended September 30, 2001 as compared to a loss of approximately \$1,604,000 in the nine months ended September 30, 2000.

Liquidity and Capital Resources:

The Company has funded working capital and capital expenditure requirements primarily from cash provided through borrowings from institutions and individuals, as well as from the sale of Company securities in private placements. Other ongoing sources of cash receipts are directly from the sale of eKaire.com and Lexxus products.

In February 1998, the Company issued \$300,000 face amount of Series B Preferred Stock, net of expenses of \$38,500. The Series B Preferred Stock has been converted into 5,413 shares of common stock.

In April 1998, the Company issued \$4,000,000 face amount of Series C Preferred Stock, net of expenses of \$492,500 from the proceeds raised, the Company paid \$2,500,000 to retire \$1,568,407 face value of Series A Preferred Stock outstanding. The Series C Preferred Stock has been converted into 36,083 shares of common stock.

In August 1998, the Company issued \$1,650,000 face amount of Series E Preferred Stock, net of expenses of \$210,500. The Series E Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock. In September 1999, \$610,000, face amount of Series E Preferred Stock was converted into 6,031 shares of common stock. During the first nine months of 2001, \$946,768, face amount of Series E Preferred Stock was converted into 355,230 shares of common stock.

During the nine months ended September 30, 2001 the Company converted \$1,414,448, face amount of Series F Preferred stock into 515,592 shares of the Company's common stock.

During the nine months ended September 30, 2001 the Company converted \$344,200, face amount of Series G Preferred stock into 157,322 shares of the Company's common stock. These transactions fully retired the Series G Preferred Stock.

In March and April 1999, the Company issued \$1,400,000 of Series H Preferred Stock. The Series H Preferred Stock pays dividends of 10% per annum and is

convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock. In the first nine months of 2001, \$614,542, face amount of Series H Preferred Stock were converted into 276,994 shares of the Company's common stock. In April 2001, the Company issued an additional \$50,000 of Series H Preferred Stock.

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In March 2000, the Company sold 1,000 shares of Series J Preferred Stock with a stated value of \$1,000 per share realizing net proceeds of \$1,000,000. The preferred stock pays a dividend at the rate of 10% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 70% of the average closing bid price of the common stock for the lowest three trading days during the twenty day period immediately preceding the date on which the Company receives notice of conversion from a holder. In connection with the offering of the Series J Preferred Stock, the Company issued warrants to purchase 1,419 shares of common stock at an exercise price of \$1.41 per share. In the first nine months of 2001, \$206,194, face amount of Series J Preferred Stock were converted into 122,604 shares of the Company's common stock.

In June 1999, the Company borrowed \$100,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion. This note was fully satisfied through conversion to common stock during the second quarter of 2001.

In July and August 1999 the Company borrowed \$150,000 from Filin Corporation, and issued a secured promissory note due on the earlier of 60 days from the date of issuance or upon the sale of its securities resulting in gross proceeds of at least \$5,000,000 and bearing interest at the rate of 10% per annum, but in no event less than \$12,000. In October 1999 the promissory note was amended to provide that the note is payable upon demand and is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion. This note was fully satisfied through conversion to common stock during the second quarter of 2001.

In October 1999, the Company borrowed \$100,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion. This note was fully satisfied through conversion to common stock during the second quarter of 2001.

In February 2001, the Company borrowed \$50,000 from an individual. The loan bears interest at 12% per annum and was originally due in April 2001 but an extension on repayment was allowed.

At September 30, 2001, the ratio of current assets to current liabilities was 0.48 to 1.0 and the Company had a working capital deficit of approximately \$3,745,000.

Cash provided by operations for the nine months ended September 30, 2001 was approximately \$2,152,000 primarily related to operating profits. Cash used in investing activities during the period was approximately \$150,000, which primarily relates to capital expenditures associated with the formation of Lexxus. Cash used in financing activities during the period was approximately \$461,000, primarily from the repayment of certain notes payable and a deferred compensation arrangement partially offset by borrowings of approximately \$150,000. Total cash increased by approximately \$1,558,000 during the period.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the USA. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and disclosures at the date of the financial statements. We evaluate our estimates on an on-going basis, including those related to revenue

recognition, legal contingencies and income taxes. We use authoritative pronouncements, historical experience and other assumptions as the basis for making estimates. Actual results could differ from those estimates.

ITEM 3. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

During the quarter ended September 30, 2003, the Company identified certain matters that resulted in the restatement of the Company's financial statements for the three months ended September 30, 2001, as set forth in Note 2 to the Consolidated Financial Statements.

Within ninety (90) days prior to the date of this report, the Company's President and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon his evaluation and as a result, in part, of the matters noted above, the Company's President and Chief Financial Officer has concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1937, as amended) are effective, with the qualification that the restatements mentioned above were just recently identified and implemented for the three and nine months ended September 30, 2002. Management requires additional time to fully (i) assess their correction plan and (ii) implement appropriate enhancements to its controls and procedures, if and so warranted in the circumstances.

Since the date of his evaluation, there have been no significant changes to the Company's internal controls or other factors that could significantly affect these controls.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

Not applicable.

ITEM 2. Changes in Securities and Use of Proceeds

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to A Vote of Security Holders

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Not applicable.

(b) Reports on Form 8-K

Not applicable.

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SIGNATURE

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.

NATURAL HEALTH TRENDS CORP.

By: /s/ MARK D. WOODBURN

Mark D. Woodburn
President and Chief Financial Officer

Date: April 12, 2004

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EXHIBIT 31.1

CERTIFICATION

I, Mark D. Woodburn, do certify that:

1. I have reviewed this quarterly report on Form 10-QSB/A of Natural Health Trends Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e))-and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK D. WOODBURN

Mark D. Woodburn
President and Chief
Financial Officer

Date: April 12, 2004

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Natural Health Trends Corp. (the "Company") on Form 10-QSB/A for the period ending September 30, 2001 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark D. Woodburn, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ MARK D. WOODBURN

Mark D. Woodburn
President and Chief Financial Officer

April 12, 2004