

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
- or
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2001

Commission file number 0-011228

NATURAL HEALTH TRENDS CORP.  
(Name of Small Business Issuer 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)

Issuer's Telephone Number, Including Area Code: (972) 241-4080  
Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value \$.001  
(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this Form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: \$22,989,943.

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of April 1, 2002 was approximately \$7,237,000 based upon a closing price of \$2.49 per share).

The number of shares of the Common Stock of the issuer outstanding as of April 1, 2002 was 2,906,335.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

Natural Health Trends Corp.  
Form 10-KSB/A  
(Amendment No. 1)  
2001 Annual Report

Explanatory Note:

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The purpose of this amendment is to amend Part II Item 6 - Management's Discussion and Analysis and Part II, Item 7 -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;
- (v) income tax provisions; and
- (vi) stock option based compensation.

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.

2

## PART II

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### Background

Prior to August 1997, the operations of NHTC consisted of the operation of natural health care centers and vocational schools. Upon the acquisition of GHA on July 23, 1997, NHTC commenced the marketing and distribution of a line of natural, over-the-counter homeopathic pharmaceutical products. Upon the acquisition of certain Kaire assets in 1999, NHTC started the marketing and distribution of a line of natural, herbal-based dietary supplements and personal care products through a network marketing distribution system. NHTC discontinued the operations of GHA during the fourth quarter of 1999 and filed for Chapter 7 bankruptcy in March 2001 on behalf of GHA and Ellon. In January 2001, NHTC acquired Lexus, which primarily sells "quality-of-life" products.

NHTC's common stock, par value \$0.001 per share (the "Common Stock") is listed on 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 "NHLC". The effect of the reverse is reflected throughout this document.

#### 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;
- (v) income tax provisions; and
- (vi) stock option based compensation.

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 the twelve-month term of the membership. The restatement resulted in net sales for the year ended December 31, 2001 being decreased by approximately \$1,155,000. 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 \$416,000 for the year ended December 31, 2001.

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 a reserve for returns and refunds for prior quarters was required and should be recorded. The restatement resulted in net sales for the year ended December 31, 2001 being decreased by approximately \$650,000 with corresponding adjustments to cost of sales for the estimated cost of products returned.

3

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. For the year ended December 31, 2001, the Company is now recognizing approximately \$710,000 of gain as Discontinued Operations and is reducing its Other Income by approximately \$710,000.

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 and that an estimated tax provision in the amount of \$210,000 was necessary for the year ended December 31, 2001.

The Company has determined that the stock options (the "Options") granted in January 2001 and October 2002 to senior executive officers of the Company should be accounted for as variable stock options due to the provision in the stock option plan that allowed the holder to exercise the stock option in an immaculate cashless fashion. The cashless exercise feature allows option holders to use the "in the money" value of the options (or the spread between the exercise price and the fair market price of the underlying shares as of the exercise date) as payment for all, or a portion, of the exercise price of an option. The Options were amended in November 2002 to require the option holder to obtain Company approval before the Option holder could use the cashless exercise feature. Subsequent to the modification, fixed option accounting will be applied to the options. Under variable accounting, changes in the intrinsic value of the stock option result in recording a charge or credit to stock based compensation expense. For the year ended December 31, 2001, the restatement resulted in \$120,000 being charged to stock option based compensation expense.

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

Year Ended December 31, 2001	
-----	
As Previously Reported	As Restated
-----	-----

Net sales	\$ 24,794	\$ 22,989
Cost of sales	5,876	5,298
	-----	-----
Gross profit	18,918	17,691
Operating expenses	17,636	17,756
	-----	-----
Income from operations	1,282	(65)
Other income (expense)	741	31
	-----	-----
Income (loss) from continuing operations before taxes	2,023	(34)
Income tax expense	--	210
	-----	-----
Income (loss) before discontinued operations	2,023	(244)
	-----	-----
Gain on discontinued operations, net	--	710
	-----	-----
Net income (loss)	2,023	466
Preferred stock dividends	1,089	1,089
	-----	-----
Net income (loss) available to common stockholders	\$ 934	\$ (623)
	=====	=====
Basic income (loss) per share:		
Continuing operations	\$ 0.70	\$ (0.98)
Discontinued operations	--	0.52
	-----	-----
Net income (loss)	\$ 0.70	\$ (0.46)
	=====	=====
Basic weighted common shares used	1,342	1,342
	-----	-----
Diluted income per share:		
Continuing operations	\$ 0.39	\$ (0.98)
Discontinued operations	--	0.52
	-----	-----
Net income (loss)	\$ 0.39	\$ (0.46)
	=====	=====
Diluted weighed common shares used	2,393	1,342
	=====	=====

4

The adjustments in net sales, cost of sales, operating expenses, other income and income taxes resulted in a net decrease in income before discontinued operations of approximately \$2,267,000 from the amounts previously reported for the year ended December 31, 2001. Net income available to stockholders decreased by approximately \$1,557,000 from the amounts previously reported. Restated basic and diluted income per share from continuing operations decreased by \$1.68 and \$1.37, respectively, from the amounts previously reported for the year ended December 31, 2001. Net income for basic and diluted income per share decreased by \$1.16 and \$0.85, respectively, from the amounts previously reported for the year ended December 31, 2001.

#### Results of Operations

As discussed in Note 2 to the consolidation financial statements, we have amended and restated our results for the year ended December 31, 2001. All of the following analyses apply the basis of the restated amounts.

#### Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

##### Revenues

Revenues for the year ended December 31, 2001 were approximately \$22,989,000 as compared to revenues for the year ended December 31, 2000 of approximately \$8,320,000, an increase of approximately \$14,669,000 or approximately 176%. The increased sales for the year ended December 31, 2001 were primarily from the sale of Lexxus products with eKaire showing a slight

rise in sales from the year ended December 31, 2000.

#### Cost of Sales

Cost of sales for the year ended December 31, 2001 was approximately \$5,298,000 or 23% of revenues. Cost of sales for the year ended December 31, 2000 was \$2,410,000 or 29% of revenues. The total cost of sales increased by approximately \$2,888,000 or 120% most of which was attributable to Lexxus product mix and sales volume compared to 2000 sales of only eKaire products. The decrease in the cost of sales as a percentage of revenues is attributable to lower manufactured cost of Lexxus products in conjunction with the higher sales volume of Lexxus products than eKaire.

#### Gross Profit

Gross profit increased from approximately \$5,910,000 in the year ended December 31, 2000 to approximately \$17,691,000 in the year ended December 31, 2001. The increase was approximately \$11,781,000. The increase was attributable to the increase in gross sales by both Lexxus and eKaire.

#### Commissions

Associate commissions were approximately \$12,449,000 or 54% of revenues in the year ended December 31, 2001 compared with approximately \$3,682,000 or 44% of revenues for the year ended December 31, 2000. The increase of commission expense is directly related to the increase in gross sales and the terms of the compensation plans.

5

#### Selling, General and Administrative Expenses

Selling, general and administrative costs decreased from approximately \$5,777,000 or 69% of revenues in the year ended December 31, 2000 to approximately \$5,187,000 or 23% of revenues in the year ended December 31, 2001, a decrease of approximately \$590,000 or 10% which is attributable to the downsizing of eKaire operations and shared overhead costs between Lexxus and eKaire.

#### Stock Option Based Compensation

Stock option based compensation increased by \$120,000 for the year ended December 31, 2001 due to the expense recorded resulting from variable accounting triggered by a "cashless exercise" feature of certain stock options granted during 2001.

#### Interest Expense

Interest expense was approximately \$260,000 or 3% of revenues in the year ended December 31, 2000 compared with approximately \$157,000 or 1% of revenues in the year ended December 31, 2001, a decrease of approximately \$103,000 due to the beneficial conversion feature of certain debt instruments.

#### Income Taxes

Income taxes were approximately \$210,000 for the year ended December 31, 2001 compared with zero for the year ended December 31, 2000. The increase was attributable to net income before taxes and taxable income of an unconsolidated US subsidiary not offset by the net operating loss of NHTC. The anticipated benefits for the year ended December 31, 2000 of utilizing net operating losses against future profits was not recognized under the provisions of Financial Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". A valuation allowance equal to the net deferred tax asset has been recorded as management has not been able to determine that it is more likely than not that the deferred tax assets will be realized.

#### Income (Loss) from Continuing Operations

Net loss from continuing operations was approximately \$244,000 in the year ended December 31, 2001 as compared to the net loss from continuing operations of approximately \$12,802,000 in the year ended December 31, 2000.

#### Discontinued Operations

During the year ended December 31, 2001, NHTC realized a gain of approximately \$710,000 on the various debt and payables related to the sale and discontinued operations of Kaire Nutraceuticals, Inc. During the year ended December 31, 2000, NHTC realized a gain of approximately \$2,148,000 on the various debt and payables of GHA due to the filing of a Chapter 7 bankruptcy and discontinued operations in early 2001. NHTC discontinued the operations of its wholly owned subsidiary in the United Kingdom in February 2000 and recognized a loss of \$15,000 on the liquidation of this asset for the year ended December 31, 2000.

#### Net Income

Net income was approximately \$466,000 in the year ended December 31, 2001 or approximately 2% of revenues as compared to net loss of approximately \$10.7 million in the year ended December 31, 2000.

#### Liquidity and Capital Resources

NHTC has funded the working capital and capital expenditure requirements primarily from cash provided through sales of products, borrowings from institutions and individuals, and from the sale of securities in private placements.

In March 2000, NHTC sold 1,000 shares of Series J Preferred Stock, par value \$1,000 per share, (the "Series J Preferred Stock") realizing net proceeds of \$1,000,000. Series J Preferred Stock pays a dividend at the rate of 10% per annum. Series J Preferred Stock and the accrued dividends thereon are convertible into shares of Common Stock at a conversion price equal to the lower of the closing bid price on the conversion date 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 NHTC receives notice of conversion from a holder thereof. In connection with the offering of the Series J Preferred Stock, NHTC issued warrants to purchase 141,907 shares of Common Stock at an exercise price of \$1.41 per share. During 2001, \$206,194, face amount of Series J Preferred Stock was converted into 122,604 shares of Common Stock.

In May 2000, NHTC borrowed \$20,700 from Tyler Pipeline, Inc. This indebtedness was evidenced by NHTC's issuance of a convertible promissory note. The note bears interest at 10% per annum and is payable on demand. The note is

6

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 of the note. In April 2001, this note was fully satisfied through conversion into an aggregate of 21,637 shares of Common Stock.

In October 2000, NHTC issued 50 shares of Series H Preferred Stock for \$50,000 realizing net proceeds of \$43,500. 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 conversion date or 75% of the market value of the Common Stock on the conversion date.

In October 2000, NHTC borrowed \$10,000 from Meridian Investments, Inc. This indebtedness was evidenced by NHTC's issuance of a convertible promissory note. The note 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. The note was repaid in November 2001.

In November 2000, NHTC borrowed \$25,000 from Filin Corp. This indebtedness was evidenced by NHTC's issuance of a convertible promissory note. The note 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. The note was converted into an aggregate of 14,528 shares of Common Stock in August 2001.

In January 2001, NHTC entered into a joint venture with Lexxus International and formed a new majority-owned subsidiary, Lexxus. The original founders of Lexxus International received an aggregate of 100,000 shares of

Common Stock.

In April 2001, NHTC borrowed \$100,000 from Augusta Street LLC. This indebtedness was evidenced by NHTC's issuance of a convertible promissory note. The note 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 75% of the average closing bid price of the Common Stock on the five days preceding notice of conversion.

In April 2001, NHTC issued an aggregate of 2,000 shares of Common Stock to an individual in exchange for a loan of \$50,000.

In April 2001, NHTC issued 50 shares of Series H Preferred Stock for \$50,000 realizing net proceeds of \$43,500. 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 conversion date or 75% of the market value of the Common Stock on the conversion date.

In May 2001, NHTC issued 50 shares of Series H Preferred Stock for \$50,000 realizing net proceeds of \$43,500. 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 conversion date or 75% of the market value of the Common Stock on the conversion date.

At December 31, 2001, the ratio of current assets to current liabilities was 0.32 to 1.0 and NHTC had a working capital deficit of approximately \$4,858,000.

Cash provided by operations for the period ended December 31, 2001 was approximately \$221,000. Cash used by investing activities during the period was approximately \$303,000, which primarily relates to the acquisition of fixed assets of \$142,000, purchase of website of \$133,000 and an increase in restricted cash of \$28,000. Cash provided by financing activities during the period was approximately \$262,000. Total cash increased by approximately \$216,000 during the period.

7

ITEM 7. FINANCIAL STATEMENTS

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NHTC's consolidated financial statements, including the notes thereto, together with the report of independent certified public accountants thereon, are presented beginning at page F-1.

8

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

The following consolidated financial statements of Natural Health Trends Corp. are included in response to Item 7:

PAGE

Report of Independent Auditors.....	F-2
Consolidated Balance Sheet.....	F-3
Consolidated Statements of Operations.....	F-4
Consolidated Statements of Stockholders' Deficit.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7

# INDEPENDENT AUDITORS' REPORT

Board of Directors  
Natural Health Trends Corp. and Subsidiaries  
New York, New York

We have audited the accompanying consolidated balance sheet of Natural Health Trends Corp. and Subsidiaries as of December 31, 2001 and the related consolidated statements of operations, stockholders' deficit and cash flows for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of NHTC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Natural Health Trends Corp. and Subsidiaries as of December 31, 2001 and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that NHTC will continue as a going concern. The Company had incurred a loss in year ended December 31, 2000 and as more fully described in Note 2, the Company anticipates that additional funding will be necessary to sustain the Company's operations through the fiscal year ending December 31, 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The consolidated financial statements for the year ended December 31, 2002 have been restated (see Note 2).

/s/ SHERB & CO., P.C.

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Sherb & Co., P.C.  
Certified Public Accountants

New York, New York  
April 12, 2002 (except for note 2  
which is dated as of March 24, 2004)

F-2

## NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

ASSETS	December 31, 2001
	----- As Restated -----
<S>	<C>
Current Assets	
Cash	\$ 324,315
Restricted cash	100,809
Account receivables	119,817
Inventories	1,087,261
Prepaid expenses and other current assets	663,024



Total Current Assets	2,295,226
Property and Equipment, net	147,919
Goodwill	207,765
Website	99,750
Deposits and other assets	324,685
Total Assets	<u>\$ 3,075,345</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:	
Accounts payable	\$ 4,035,674
Accrued expenses	796,048
Accrued commissions payable	119,852
Notes payable	558,088
Current portion of long term debt	171,070
Income tax payable	210,000
Deferred revenue	1,155,093
Other current liabilities	107,223
Total Current Liabilities	<u>7,153,048</u>
Long term notes payable	292,313
Total Liabilities	<u>7,445,361</u>
Stockholders' Deficit:	
Preferred stock (\$1,000 par value; authorized 1,500,000 shares; Issued and outstanding 2,324 shares)	2,324,298
Common stock (\$.001 par value; authorized 500,000,000 shares; issued and outstanding 2,209,379 shares)	2,209
Additional paid in capital	29,557,552
Accumulated deficit	(35,835,584)
Deferred compensation	(416,250)
Accumulated other comprehensive income	(2,241)
Total Stockholders' Deficit	<u>(4,370,016)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 3,075,345</u>

</TABLE>

See Notes to Consolidated Financial Statements

F-3

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

	Years Ended December 31,	
	2001	2000
	As Restated	
	<C>	<C>
Revenues	\$ 22,988,943	\$ 8,320,105
Cost of sales	5,297,637	2,410,096
Gross Profit	17,691,306	5,910,009
Associate commissions	12,449,357	3,681,646
Write-down of patents and goodwill	--	9,002,582
Selling, general and administrative expenses	5,186,633	5,777,474
Stock option based compensation	120,000	--

Income (loss) from operations	(64,684)	(12,551,693)
Minority interest of subsidiary	105,686	--
Gain (loss) on foreign exchange	(5,861)	9,076
Other income, net	87,246	478
Interest expense, net	(156,549)	(260,160)
Income (loss) from continuing operations before taxes	(34,162)	(12,802,299)
Income taxes	210,000	--
Income (loss) before discontinued operations	(244,162)	(12,802,299)
Gain on discontinued operations, net of taxes	710,023	2,133,000
Net income (loss)	465,861	(10,669,299)
Preferred stock dividends	1,089,231	1,277,251
Net loss available to common shareholders	\$ (623,370)	\$(11,946,550)
Basic loss per common share:		
Continuing operations	\$ (0.98)	\$ (146.83)
Discontinued operations	0.52	22.24
Net loss	\$ (0.46)	\$ (124.59)
Basic weighted common shares used	1,342,068	95,887
Diluted loss per common share:		
Continuing operations	\$ (0.98)	\$ (146.83)
Discontinued operations	0.52	22.24
Net loss	\$ (0.46)	\$ (124.59)
Diluted weighted common shares used	1,342,068	95,887

</TABLE>

See Notes to Consolidated Financial Statements.

F-4

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	Common Stock		Preferred Stock		Accumulated		
	Shares	Amount	Shares	Amount	APIC	Deficit	
BALANCE -December 31, 1999	79,900	\$	80	5,164	\$ 5,163,696	\$ 21,451,824	\$(23,165,664)
Issuance of Convertible Series J Preferred stock	--	--	1,000	1,000,000	(62,530)		
Issuance of Common Stock warrants	--	--	--	--	100,000	(100,000)	
Conversion of Series H Preferred stock	4,346	4	(359)	(359,154)	385,499	(26,349)	
Conversion of Notes Payable to Common Stock		39,352	39		1,219,948		
Conversion of Series E Preferred Stock	29,841	30	(94)	(93,232)	93,202		
Conversion of Series G							

Preferred Stock	2,799	3	(6)	(5,800)	5,797		
Issuance of Convertible Series H Preferred stock	--	--	50	50,000	--		
Conversion of Series F Preferred stock	1,383	1	(3)	(3,100)	3,099		
Write down deferred compensation				(555,000)			
Amortize Deferred Compensation							
Foreign currency translation					--		
Preferred Stock Dividend				1,250,902	(1,250,902)		
Adjust Note Payable due in Common Stock				(133,333)			
Net Loss				(10,669,299)			
-----							
BALANCE -December 31, 2000	157,621	157	5,752	5,752,410	23,759,408	(35,212,214)	
-----							
Conversion of Convertible Series E Preferred stock	355,230	355	(947)	(946,768)	946,413		
Conversion of Convertible Series F Preferred Stock	515,592	516	(1,416)	(1,416,408)	1,415,892		
Conversion of Convertible Series G Preferred Stock	157,322	157	(344)	(344,200)	344,043		
Conversion of Convertible Series H Preferred Stock	276,994	277	(615)	(614,542)	614,265		
Issuance of Convertible Series H Preferred stock			100	100,000			
Series J	122,604	123	(206)	(206,194)	206,071		
Conversion of Note Payable to Common Stock	228,870	229		422,784			
Shares Issued for Services	212,246	212		521,338			
Penalties	82,900	83		8,207			
Preferred Stock Dividends				1,089,231	(1,089,231)		
Stock option based compensation				120,000	--		
Deferred Compensation							
Foreign currency translation					--		
Acquisition	100,000	100		109,900			
Net Income				465,861			
-----							
BALANCE -December 31, 2001 (restated)	2,209,379	\$ 2,209	2,324	\$ 2,324,298	\$ 29,557,552	\$(35,835,584)	
=====							

</TABLE>

	Foreign Currency	Deferred Comp	Total
	-----	-----	-----
BALANCE -December 31, 1999		\$ (666,000)	\$ 2,783,936
-----			
Issuance of Convertible Series J Preferred stock	--		937,470
Issuance of Common Stock warrants			--
Conversion of Series H Preferred stock			0
Conversion of Notes Payable to Common Stock			1,219,987
Conversion of Series E Preferred Stock			--
Conversion of Series G Preferred Stock			--
Issuance of Convertible Series H Preferred stock			50,000
Conversion of Series F Preferred stock			--

Write down deferred compensation	555,000		
Amortize Deferred Compensation	111,000	111,000	
Foreign currency translation	(37,203)	--	(37,203)
Preferred Stock Dividend			--
Adjust Note Payable due in Common Stock			(133,333)
Net Loss		(10,669,299)	
	-----	-----	-----
BALANCE -December 31, 2000	(37,203)	--	(5,737,442)
	-----	-----	-----
Conversion of Convertible Series E Preferred stock	--	--	
Conversion of Convertible Series F Preferred Stock		--	
Conversion of Convertible Series G Preferred Stock		--	
Conversion of Convertible Series H Preferred Stock		--	
Issuance of Convertible Series H Preferred stock		100,000	
Series J		--	
Conversion of Note Payable to Common Stock		423,013	
Shares Issued for Services		521,550	
Penalties		8,290	
Preferred Stock Dividends		--	
Stock option based compensation		120,000	
Deferred Compensation		(416,250)	(416,250)
Foreign currency translation	34,962		34,962
Acquisition		110,000	
Net Income		465,861	
	-----	-----	-----
BALANCE -December 31, 2001 (restated)	\$ (2,241)	\$ (416,250)	\$ (4,370,016)
	=====	=====	=====

See Notes to Consolidated Financial Statements.

F-5

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31,

<TABLE>  
<CAPTION>

	2001	2000
	-----	-----
	As Restated	
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 465,861	\$(10,669,299)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:

Loss on dissolution	--	15,000
Depreciation and amortization	121,659	364,400
Loss on disposal of fixed assets	--	(666,856)
Impairment of fixed assets	35,448	--
Write down of patents and goodwill	--	9,002,582
Minority interest in subsidiary	(105,686)	--
Stock option based compensation	120,000	--
Gain on discontinued operations	(710,023)	(2,148,478)
Common stock issued for service/penalties/interest	529,841	6,059
Change in deferred compensation	(416,250)	--
Changes in assets and liabilities		

Accounts receivable	(68,049)	355,722		
Inventories	(890,192)	863,065		
Prepaid expenses	(645,432)	157,117		
Deposits and other assets	(237,646)	(11,432)		
Accounts payable	1,698,929	640,189		
Accrued expenses(i)	(745,560)	52,731		
Accrued consulting contract	--	666,000		
Deferred revenue	1,035,680	(408,418)		
Income tax payable	210,000	--		
Other current liabilities	(177,432)	7,545		
	-----	-----		
Total Adjustments	244,713	8,895,226		
	-----	-----		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			221,148	(1,774,073)
	-----	-----		

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(141,707)	(7,421)		
Proceeds from the sale of fixed assets	--	10,533		
Business acquisitions, net of cash acquired	--	(27,587)		
Purchase of websites	(133,000)	--		
(Increase) decrease in restricted cash	(27,975)	79,671		
	-----	-----		
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES			(302,682)	55,196
	-----	-----		

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from preferred stock	100,000	1,050,000		
Proceeds from notes payable and long-term debt		288,000	512,976	
Payments of capital lease obligation	(46,590)	--		
Payments of notes payable and long-term debt(i)	(78,942)	(169,743)		
	-----	-----		
NET CASH PROVIDED BY FINANCING ACTIVITIES			(262,468)	1,393,233
	-----	-----		

Effect of Exchange rates	34,962	--		
NET INCREASE (DECREASE) IN CASH		215,896	(325,644)	
CASH, BEGINNING OF PERIOD		108,419	434,063	
	-----	-----		
CASH, END OF PERIOD		\$ 324,315	\$ 108,419	
	=====	=====		

DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

(1) Conversion of preferred stock to common stock	3,528,112	461,286		
(2) Conversion of debentures, notes payable and related accrued interest to common stock	521,550	1,219,987		
(3) Preferred stock dividends	1,089,231	1,277,251		
(4) Common stock issued for acquisition	110,000	--		

</TABLE>

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

See Notes to Consolidated Financial Statements.

F-6

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2001 and 2000

1. ORGANIZATION

Natural Health Trends Corp. ("NHTC") is a Florida corporation. NHTC was incorporated on December 1, 1988 as "Florida Institute of Massage Therapy, Inc." and changed its name to "Natural Health Trends Corp." on June 24, 1993.

NHTC's common stock, par value \$0.001 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 "NHLC". The effect of the reverse is reflected throughout this document.

NHTC is a holding company that operates two businesses, which distribute products that promote health, wellness and sexual vitality through the multi-level marketing ("MLM") channel. NHTC's largest operation is by Lexxus International, Inc. ("Lexxus"), a Delaware corporation and a majority-owned subsidiary of NHTC. Lexxus sells products that heighten mental and sexual arousal, particularly in women. NHTC's other business, eKaire.com, Inc. ("eKaire"), distributes nutritional supplements aimed at general health and wellness through the Internet and other channels. eKaire consists of companies operating in the U.S., in Canada as Kaire International Canada Ltd. ("Kaire Canada"), in Australia as Kaire Nutraceuticals Australia Pty. Ltd. ("Kaire Australia") and in New Zealand as Kaire Nutraceuticals New Zealand Limited ("Kaire New Zealand").

In January 2001, NHTC entered into a joint venture with Lexxus International and formed a new majority-owned subsidiary, Lexxus International, Inc. ("Lexxus"), a Delaware corporation. The original founders of Lexxus International received an aggregate of 100,000 shares of Common Stock.

In February 1999, NHTC acquired certain assets (the "Kaire Assets") of Kaire International, Inc., a Delaware corporation ("KII"). The assets included, but not limited to, the corporate name, all variations and any other product name, registered and unregistered trademarks, trade names, service marks, patents, logos and copyrights of KII, and independent associate lists. In exchange for the Kaire Assets, NHTC made the following issuances:

- o to 11 secured creditors of KII, \$2,800,000 aggregate stated value of Series F preferred stock, par value \$1,000 per share, of NHTC (the "Series F Preferred Stock")
- o to two secured creditors of KII, \$350,000 aggregate stated value of Series G preferred stock, par value \$1,000 per share, of NHTC (the "Series G Preferred Stock")

In March 2001, Global Health Alternatives, Inc., a Texas corporation and wholly-owned subsidiary of NHTC ("GHA"), and Ellon, Inc., a Texas corporation and wholly-owned subsidiary of GHA ("Ellon"), filed for Chapter 7 bankruptcy liquidation in the United States Bankruptcy Court of the Northern District of Texas. Neither GHA nor Ellon had operations during the years 2000 or 2001. Both GHA and Ellon were dissolved in June 2001.

In the second quarter of 2001, NHTC incorporated Lexxus International (SW Pacific) Pty. Ltd., an Australian corporation and majority-owned subsidiary of NHTC, which does business in Australia ("Lexxus Australia"). In addition, NHTC incorporated Lexxus International (New Zealand) Limited, a New Zealand corporation and majority-owned subsidiary of NHTC, which does business in New Zealand ("Lexxus New Zealand").

F-7

In June 2001, NHTC incorporated Lighthouse Marketing Corporation ("LMC"), a Delaware corporation and a wholly owned subsidiary of NHTC.

In June 2001, NHTC sold 100% of the Common Stock in Kaire Nutraceuticals, Inc., Delaware Corporation, to a South African firm for a purchase price of the greater of (i) \$50,000 per year for a period of five years, or (ii) for five years, a percentage of net income based on a progressive scale of net sales figures of the South African firm.

In November 2001, NHTC incorporated Lexxus International Co., Ltd., a corporation organized under the laws of the Republic of China and a majority-owned subsidiary of NHTC ("Lexxus Taiwan").

In January 2002, NHTC incorporated MyLexxus Europe AG, a corporation organized under the laws of Switzerland and a majority-owned subsidiary of NHTC ("Lexxus Europe").

In March 2002, NHTC incorporated Lexxus International Co., Ltd., a corporation organized under the laws of Hong Kong and a wholly owned subsidiary of NHTC ("Lexxus Hong Kong").

## 2. RESTATEMENTS 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;
- (v) income tax provisions; and
- (vi) stock option based compensation.

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 the twelve-month term of the membership. The restatement resulted in net sales for the year ended December 31, 2001 being decreased by approximately \$1,155,000. 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 \$416,000 for the year ended December 31, 2001.

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 a reserve for returns and refunds for prior quarters were required and

F-8

should have been recorded. The restatement resulted in net sales for the year ended December 31, 2001 being decreased by approximately \$650,000 with corresponding adjustments to cost of sales for the estimated cost of products returned.

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. For the year ended December 31, 2001, the Company is now recognizing approximately \$710,000 of gain as Discontinued Operations and is reducing its Other Income by approximately \$710,000.

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 and that an estimated tax provision in the amount of \$210,000 was necessary for the year ended December 31, 2001.

The Company has determined that the stock options (the "Options") granted in January 2001 and October 2002 to senior executive officers of the Company should be accounted for as variable stock options due to the provision in the stock option plan that allowed the holder to exercise the stock option in an immaculate cashless fashion. The cashless exercise feature allows option holders to use the "in the money" value of the options (or the spread between the exercise price and the fair market price of the underlying shares as of the exercise date) as payment for all, or a portion, of the exercise price of an option. The Options were amended in November 2002 to require the option holder to obtain Company approval before the Option holder could use the cashless exercise feature. Subsequent to the modification, fixed option accounting will be applied to the options. Under variable accounting, changes in the intrinsic value of the stock option result in recording a charge or credit to stock based compensation expense. For the year ended December 31, 2001, the restatement resulted in \$120,000 being charged to stock option based compensation expense.

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

	Year Ended December 31, 2001	
	As Previously Reported	As Restated
Net sales	\$ 24,794	\$ 22,989
Cost of sales	5,876	5,298
Gross profit	18,918	17,691
Operating expenses	17,636	17,756
Income from operations	1,282	(65)
Other income (expense)	741	31
Income (loss) from continuing operations before taxes	2,023	(34)
Income tax expense	--	210
Income (loss) before discontinued operations	2,023	(244)
Gain on discontinued operations, net	--	710
Net income (loss)	2,023	466
Preferred stock dividends	1,089	1,089
Net income (loss) available to common stockholders	\$ 934	\$ (623)
Basic income (loss) per share:		
Continuing operations	\$ 0.70	\$ (0.98)
Discontinued operations	--	0.52
Net income (loss)	\$ 0.70	\$ (0.46)
Basic weighted common shares used	1,342	1,342
Diluted income per share:		
Continuing operations	\$ 0.39	\$ (0.98)
Discontinued operations	--	0.52
Net income (loss)	\$ 0.39	\$ (0.46)



The adjustments in net sales, cost of sales, operating expenses, other income and income taxes resulted in a net decrease in income before discontinued operations of approximately \$2,267,000 from the amounts previously reported for the year ended December 31, 2001. Net income available to stockholders decreased by approximately \$1,557,000 from the amounts previously reported. Restated basic and diluted income per share from continuing operations decreased by \$1.68 and \$1.37, respectively, from the amounts previously reported for the year ended December 31, 2001. Net income for basic and diluted income per share decreased by \$1.16 and \$0.85, respectively, from the amounts previously reported for the year ended December 31, 2001.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Natural Health Trends Corp. and its subsidiaries. All material inter-company transactions have been eliminated in consolidation.
- B. Accounts Receivable - Accounts receivable are stated net of allowance for doubtful accounts of approximately \$0.
- C. Inventories - Inventories consisting primarily of nutritional supplements and "quality of life" products 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 are carried at cost. Depreciation is computed using the straight-line method over the useful lives of the various assets.
- E. Cash Equivalents - Cash equivalents consist of money market accounts and commercial paper with an initial term of fewer than three months. For purposes of the statement of cash flows, NHTC considers highly liquid debt instruments with original maturities of three months or less to be cash equivalents.
- F. Earnings (Loss) Per Share-Accounting Standards No. 128, "Earnings Per Share" SFAS 128 requires a presentation of "Basic" and (where applicable) "Diluted" earnings per share. Generally, Basic earnings per share is computed on only the weighted average number of common shares actually outstanding during the period, and the Diluted computation considers potential shares issuable upon exercise or conversion of other outstanding instruments where dilution would result. Diluted earnings per share is not being shown in the year ended December 31, 2000, due to the fact that this year has a net loss and the conversion of the preferred stock and Common Stock outstanding during that year would be anti-dilutive.
- G. 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.

- H. Income Taxes-Pursuant to Statement of Financial Accounting Standards No. 109 ("SFAS 109") "Accounting for Income Taxes", NHTC accounts for income taxes under the liability method. Under the liability method, a deferred tax asset or liability is determined based upon the tax effect of the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted rates, which will be in effect when these differences reverse.
- I. Fair Value of Financial Instruments-The carrying amounts reported in the balance sheet for cash, receivables, accounts payable, accrued

expenses, and notes payable approximate fair value based on the short-term maturity of these instruments.

- J. Stock Based Compensation-NHTC accounts for stock transactions in accordance with APB Opinion No. 25, "Accounting For Stock Issued To Employees." In accordance with Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting For Stock-Based Compensation," NHTC adopted the pro forma disclosure requirements of SFAS 123.
- K. Impairment of Long-Lived Assets-NHTC reviews long-lived assets, certain identifiable assets and goodwill related to those assets on a quarterly basis for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. At December 31, 2000, NHTC recorded a charge against patents, customer lists and goodwill upon such review.
- L. Basis of Presentation - NHTC had a working capital deficiency of approximately \$4,858,000 and \$5,865,000 as of December 31, 2001 and 2000, respectively, and had recorded net losses of approximately \$10,669,000 for the year ended December 31, 2000, that raise substantial doubt about NHTC's ability to continue as a going concern. NHTC's continued existence is dependent on its ability to obtain additional debt or equity financing and to generate profits from operations.
- M. Royalty Expense-Royalties that are incurred on a per unit sold basis are included in Cost of Sales. Additional royalty amounts incurred to meet contractual minimum levels are classified as Selling, General and Administrative Expenses.
- N. Reclassifications-NHTC has reclassified certain expenses in its consolidated statements of operations for the years ended December 31, 2001 and 2000 as a result of the closure of Kaire Europe and related facilities. These changes had no significant impact on previously reported results of operations or stockholders' equity.
- O. Foreign Currency Translations-Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year or period then ended. The related translation adjustments are reflected as a cumulative translation adjustment in consolidated stockholders' equity. Foreign currency gains and losses resulting from transactions are included in results of operations in the period in which the transaction occurred.
- P. 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 \$1,155,000 as of December 31, 2001.

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

F-11

- Q. Concentration of Risk-NHTC maintains its cash accounts in several bank accounts. Accounts in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. NHTC's cash balance in some of its bank accounts generally exceeds the insured limits.

Lexxus and eKaire sell products through network marketers throughout the United States, Canada, New Zealand and Australia. Credit is extended for returned checks and/or until credit card purchases have

cleared the bank.

Credit losses, if any, have been provided for in the financial statements and are based on management's expectations. NHTC's accounts receivable are subject to potential concentrations of credit risk. NHTC does not believe that it is subject to any unusual or significant risk, in the normal course of business.

- R. Restricted Cash - NHTC is required to maintain three (3) restricted cash accounts (i) two with credit card processing companies, one for each subsidiary. The primary purpose of these accounts is to provide a reserve for potential uncollectible amounts and chargebacks by Lexxus and eKaire credit card customers. The credit card processing companies may periodically increase the restricted cash account. The amount on deposit is calculated at 2% of net sales over a rolling six month average and (ii) a third account is maintained with a Canadian bank as security for a bank drafting process utilized by eKaire in the ordinary course of business.
- S. Recently Issued Accounting Standards-In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interest method. NHTC believes that the adoption of SFAS No. 141 will not have a significant impact on the financial statements.

In July 2001, FASB issued Statement of Financial Accounting standards Board No. 142, "Goodwill and Other Intangible Assets", ("SFAS No. 142"), which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for the impairment of existing goodwill and other intangibles. NHTC is currently assessing but has not yet determined the impact of SFAS No. 142 on the financial position and results of operations.

In August 2001, the FASB issued Statement of Financial Accounting standards Board No. 143, "Accounting for Asset Retirement Obligations", (SFAS No. 143"), which is effective for all fiscal years beginning after June 15, 2002; however, early adoption is encouraged. In August 2001, the FASB issued Statement of Financial Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS 144"). This statement is effective for fiscal years beginning after December 15, 2001 and supercedes SFAS 121 while retaining many of its requirements.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," which supercedes Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and certain provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 requires that long-lived assets to be disposed of by sale, including discontinued operations, be measured at the lower of carrying amount or fair value, less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also broadens the

reporting requirements of discontinued operations to include all components of an entity that have operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The provisions of SFAS 144 are effective for fiscal years beginning after December 15, 2001.

Management believes that the implementation of this standard will have no impact on NHTC's results of operations and financial position.

#### 4. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following:

Type of Property or Equipment	Estimated Useful Lives	Amount
Equipment, furniture and fixtures	5 to 7	\$ 113,514
Computers and peripherals	3	105,694
Software	3 to 5	4,307
Leasehold improvements	3 to 5	3,489
	-----	
Property and Equipment		\$ 227,004
Less: Accumulated depreciation		(79,085)
	-----	
Property and Equipment, net		<u>\$ 147,919</u>

#### 5. NOTES PAYABLE

Notes Payable consisted of the following at December 31, 2001:

<TABLE>

<CAPTION>

Note Payable	Amount
-----	-----
<S>	<C>
(i) Augusta Street LLC \$100,000 note payable, 10% interest	\$ 100,000
(ii) Augusta Street LLC \$138,000 note payable, 4.75% interest	\$ 138,000
(iii) Naline Thompson \$50,000 note payable, 12% interest	\$ 50,000
Merrill Corporation \$145,496 note payable, 8% interest, due upon demand	\$ 145,496
Aloe Commodities International, Inc., non-interest bearing, due upon demand	\$ 52,500
(iv) Lightfoot	\$ 40,967
Life Dynamics, Inc. note payable, interest-free	\$ 31,125
	-----
Notes Payable	<u>\$ 558,088</u>

</TABLE>

(i) Payee of the note is entitled, at its option, to convert at any time, the principal amount of this note at a conversion price equal to 75% of the five-day average closing bid price of the Common Stock for the five trading days immediately preceding the applicable conversion date. The beneficial conversion feature of \$ 33,333 was recorded in the financial statements. This note is due upon demand.

(ii) Payee of the note is entitled, at its option, to convert at any time, the principal amount of this note at a conversion price equal to 75% of the five-day average closing bid price of the Common Stock for the five trading days immediately preceding the applicable conversion date. The beneficial conversion feature of \$ 46,000 was recorded in the financial statements. This note is due December 31, 2002.

F-13

(iii) The investor received 2,000 shares of NHTC Common Stock as well as a warrant to purchase 2,000 shares of the Common Stock of NHTC at an exercise price of \$0.05 per share for three years.

(iv) Note due to Michael and Linda Lightfoot, bears interest at prime plus

1.75%, monthly payments are being made.

## 6. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2001:

Debt Instrument	Amount
(i) Samantha Haimes, \$325,000, 10% interest	\$ 296,892
(ii) State of Texas, \$114,278, 7% interest	\$ 96,738
(iii) Robert L. Richards, interest-free	\$ 53,757
	-----
Total Debt	\$ 463,383
Less: Current Portion of Long-term Debt	\$ 171,070
	-----
Long-term Debt	<u>\$ 292,313</u>

(i) NHTC is making monthly payments of \$12,000 through July 2002 and thereafter \$15,000 per month until repaid in full with interest.

(ii) NHTC is making monthly payments of \$2,200 until repaid in full with interest.

(iii) NHTC is making monthly payments of \$1,333 until repaid in full with interest.

Date	Amount
2002	\$ 171,070
2003	\$ 199,517
2004	\$ 39,134
2005	\$ 40,807
2006 and thereafter	\$ 12,855

As of December 31, 2001, NHTC owed approximately \$70,000 to Robert L. Richards, a former president and a director, in connection with liabilities assumed in connection with the KII acquisition.

## 7. PAYROLL TAX LIABILITIES

During 2000 and 1999, Kaire Nutraceuticals, Inc. did not make payroll tax deposits with the Internal Revenue Service ("IRS") and the various state taxing authorities on a timely basis. Kaire Nutraceuticals, Inc. did file all required payroll tax returns. This liability of approximately \$630,000 is fully reserved for in the financial statements.

F-14

## 8. STOCKHOLDERS' EQUITY

A. Common Stock - NHTC is authorized to issue 500,000,000 shares of Common Stock, \$.001 par value.

B. Preferred Stock - NHTC is authorized to issue a maximum of 1,500,000 shares of \$1,000 par value 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 NHTC's board of directors may, from time to time, determine.

Series E Preferred Stock.

In August 1998, NHTC issued 1,650 shares of Series E Preferred Stock with a stated value of \$1,000 per share realizing net proceeds of \$1,439,500. The

preferred stock and the accrued dividends thereon are convertible into shares of NHTC's Common Stock at a conversion price equal to the lower of 75% of the average closing bid price of the Common Stock for the five trading days immediately preceding the conversion date or 100% of the closing bid price on the day of funding. This series of stock is convertible commencing 60 days after issuance. Due to the beneficial conversion features in the issuance of this series of preferred stock, an imputed dividend of \$550,000 has been recorded.

If NHTC does not have an effective Common Stock registration 120 days subsequent to the issuance of Series E Preferred Stock, a 2% penalty on the face amount of \$1,650,000 accrues for every 30 days without an effective registration statement. As of the year ended December 31, 2000 NHTC had recorded a charge of \$635,471 due to non-compliance with this clause.

In the year ended December 31, 2000, \$103,715 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2000, NHTC had converted 93 shares of the Series E Preferred Stock into 2,984,122 shares of Common Stock.

In the year ended December 31, 2001, \$33,780 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2001, NHTC had converted 947 shares of the Series E Preferred Stock into 355,230 shares of Common Stock.

#### Series F Preferred Stock.

In February 1999, NHTC issued 2,800 shares of Series F Preferred Stock with a stated value of \$1,000 per share realizing a net value of \$2,800,000. This issuance is in accordance with the asset purchase agreement of KII. The preferred stock pays a dividend at 6% per annum and is payable upon conversion into either cash or common stock. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's Common Stock at a conversion price equal to 95% of the average closing bid price of the Common stock for the three trading days immediately preceding the date on which NHTC receives notice of conversion from a holder. NHTC is permitted at any time, on five days prior to written notice, to redeem the outstanding preferred stock at a redemption price equal to the stated value and the accrued dividends thereon.

In the year ended December 31, 2000, NHTC had converted 3 shares of the Series F Preferred Stock into 1,383 shares of Common Stock.

In the year ended December 31, 2001, \$32,732 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2001, NHTC had converted 1,416 shares of the Series F Preferred Stock into 515,592 shares of Common Stock.

F-15

#### Series G Preferred Stock.

In February 1999, NHTC issued 350 shares of Series G Preferred Stock with a stated value of \$1,000 per share realizing a net value of \$350,000. The preferred stock pays a dividend at the rate of 6% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of NHTC's Common Stock at a conversion price equal to 95% of the average closing bid price of the common stock for the three trading days immediately preceding the date on which the Company receives notice of conversion. NHTC is permitted at any time, on five days prior written notice, to redeem the outstanding preferred stock at a redemption price equal to the stated value and the accrued dividends thereon.

During the year ended December 31, 2000, NHTC had converted 6 shares of the Series G Preferred Stock and accrued dividends of \$20,942 into 2,798 shares of Common Stock.

In the year ended December 31, 2001, \$7,198 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2001, NHTC had converted 344 shares of the Series G Preferred Stock into 157,322 shares of Common Stock.

#### Series H Preferred Stock.

In October 2000, NHTC sold 50 shares of Series H Preferred Stock with a

stated value of \$1,000 per share realizing net proceeds of \$43,500. The preferred stock pays a dividend at the rate of 8% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of NHTC's Common Stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 75% of the average closing bid price of the Common Stock for the three trading days immediately preceding the date on which NHTC receives notice of conversion from a holder.

In April 2001, NHTC issued 50 shares of Series H Preferred Stock for \$50,000 realizing net proceeds of \$43,500. 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 conversion date or 75% of the market value of the Common Stock on the conversion date.

In May 2001, NHTC issued 50 shares of Series H Preferred Stock for \$50,000 realizing net proceeds of \$43,500. 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 conversion date or 75% of the market value of the Common Stock on the conversion date.

If NHTC does not have an effective Common Stock registration 120 days subsequent to the issuance of the Series H Preferred Stock, a 2% penalty on the face amount of \$1,400,000 accrues for every 30 days without an effective registration statement. As of the year ended December 31, 2001 NHTC had recorded a charge of \$12,000 due to non-compliance with this clause.

In the year ended December 31, 2000, NHTC recorded an imputed dividend of \$16,667 due to the beneficial conversion features in the Series H Preferred Stock. An additional \$49,686 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2000, NHTC had converted 359 shares of the Series H Preferred Stock into 4,347 shares of Common Stock.

In the year ended December 31, 2001, NHTC recorded an additional \$19,611 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2001, NHTC had converted 615 shares of the Series H Preferred Stock into 276,994 shares of Common Stock.

#### F-16

##### Series J Preferred Stock.

In March 2000, NHTC sold 1,000 shares of Series J Preferred Stock with a stated value of \$1,000 per share realizing net proceeds of \$936,000. The preferred stock pays a dividend at the rate of 10% per annum, payable in cash or stock at NHTC's option. 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 NHTC receives notice of conversion from a holder.

If NHTC does not have an effective Common Stock registration 120 days subsequent to the issuance of the Series J Preferred Stock, a 2% penalty on the face amount of \$1,000,000 accrues for every 30 days without an effective registration statement. As of the year ended December 31, 2001, NHTC had recorded a charge of \$411,890 due to non-compliance with this clause.

In the year ended December 31, 2001, NHTC recorded an additional \$17,051 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2001, NHTC had converted 206 shares of the Series J Preferred Stock into 122,604 shares of Common Stock.

C. Convertible Debentures - During 2001, NHTC converted approximately \$385,409 of its promissory notes, plus accrued interest of \$37,604 into 228,870 shares of Common Stock.

NHTC issued 5,000 shares of Common Stock to certain management employees in April 2001 and recorded \$30,500 of compensation expense.

NHTC issued 2,000 shares of Common Stock in a verbal agreement to Capital

Development S.A., a consulting firm in August 2001 and recorded \$11,800 of consulting expense.

In August 2001, NHTC issued 200,000 shares of Common Stock to Summit Trading Ltd., a consulting firm, as part of a long-term consulting agreement. This issuance was recorded as deferred compensation and will be amortized over the life of the agreement.

In January 2001, NHTC entered into a joint venture with Lexxus International and formed a new majority-owned subsidiary, Lexxus International, Inc., a Delaware corporation. The original founders of Lexxus International received an aggregate of 100,000 shares of NHTC's Common Stock, par value of \$0.001.

## 9. INCOME TAXES

The Company's provision for income taxes consisted of the following:

	Years ended December 31,	
	2001	2000
Current tax expense:		
Federal	\$ 156,000	\$ --
State	36,000	--
Foreign	18,000	--
	<u>\$ 210,000</u>	<u>\$ --</u>

F-17

The Company accounts for income taxes under the provisions of SFAS 109. SFAS 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. SFAS 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. At December 31, 2001, the Company had net deferred assets of approximately \$5.3 million which included deferred tax assets of approximately \$5.6 million comprised primarily of net operating loss carry forwards and deferred liabilities of approximately \$300,000 comprised primarily of the difference between the financial statement and tax basis of fixed assets. The Company has established a valuation allowance for the full amount of such net deferred tax assets at December 31, 2001, 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.

The Company has a net operating loss carry forward at December 31, 2001 of approximately \$13.1 million, a portion of which begins to expire beginning in 2011. A portion of the net operating loss carry forward may be subject to an annual limitation as defined by Section 382 of the Internal Revenue Code. The Company has not provided for U.S. Federal and foreign withholding taxes on the foreign subsidiaries undistributed earnings as of December 31, 2001. Such earnings are intended to be reinvested indefinitely.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes as follows:

	For the year ended December 31,	
	2001	2000
Income tax computed at the US Federal statutory rate	\$ 29,000	\$ --
Effect of permanent differences	101,000	--
Increase in valuation allowance	52,000	--
Foreign taxes different than Federal rate	4,000	--



State income taxes, net of Federal benefit	24,000	--
Provision for income taxes	\$ 210,000	\$ --

10. COMMITMENTS AND CONTINGENCIES

A. Leases

Lexus leases an aggregate of approximately 16,000 square feet of office and warehouse space in Dallas, Texas. The lease term is 38 months, expiring on September 30, 2004, and the current rent is approximately \$151,500 per year. Additional warehousing for Lexus is located in Branson, Missouri where Lexus utilizes approximately 35,000 square feet of warehouse space. The lease term is on a month-to-month basis at a rent of \$18,000 per year. The Canadian office and warehouse of Lexus and eKaire leases office space in Langley, British Columbia, totaling approximately 3,600 square feet. The lease term is 36 months, expiring on December 1, 2004 and the current rent is approximately \$25,000 per year.

Kaire Australia, Kaire New Zealand, Lexus Australia and Lexus New Zealand lease office space and warehouse facilities of approximately 2,475 square feet in Queensland, Australia. The lease term is 60 months, expiring on January 1, 2007, and the current rent is approximately \$20,000 per year.

In March 2002, Lexus Taiwan entered into a two-year lease of 6,314 square feet at a current rent of approximately \$75,000 per year.

F-18

B. Litigation

On August 4, 1997, Samantha Haimes brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, against NHTC and National Health Care Centers of America, Inc., a wholly owned subsidiary of NHTC. NHTC asserted counterclaims against Samantha Haimes and Leonard Haimes. The complaint arises out of the defendants' alleged breach of contract in connection with NHTC's natural health care center, which was located in Boca Raton, Florida. NHTC agreed to settle such actions for shares of Common Stock with a fair market value of \$325,000, but not less than 125,000 shares of Common Stock and agreed to register such shares. On October 10, 2000, due to noncompliance with the settlement, a judgment was taken against NHTC in the amount of \$325,000 plus interest. On October 12, 2001, NHTC entered into a payment arrangement to settle this obligation. NHTC has recorded a liability of \$325,000 plus interest at ten percent (10%) per annum, which is included in the financial statements for the year ended December 31, 2001.

On July 10, 2000, the State of Texas obtained a judgment against NHTC in the amount of \$109,170 for unpaid sales taxes, penalties, interest, and attorney fees. NHTC has entered into a voluntary payment arrangement and has recorded a liability of \$109,170 plus interest at seven percent (7%) per annum, which is included in the financial statements for the year ended December 31, 2001.

On December 29, 2000, Merrill Corporation obtained a judgment against NHTC in the amount of \$145,497, plus interest at eight percent (8%) per annum, which is included in the financial statements for the year ended December 31, 2001.

On October 30, 2001, Omni Group LLC filed an action in the State of Vermont, Addison Superior Court, against NHTC alleging that NHTC tortuously interfered with existing contractual relationships and made representations about Omni Group that are untrue. Omni Group is seeking \$5 million in compensatory damages and \$5 million in punitive damages. NHTC is defending this action. NHTC filed an answer on April 2, 2002 in which NHTC denied any wrongdoing. In 2003, this case was settled out of court for a nominal fee.

On November 22, 2001, Pfizer, Inc. filed an action in the United States District Court, Southern District of New York, against Lexus alleging, among other things, infringement of a federally registered trademark, federal false designation of origin and unfair competition, federal trademark dilution, federal false advertising and unfair competition, common law trademark infringement, trademark dilution and deceptive acts and practices. NHTC has settled this action.

On March 21, 2002, NFL Properties, Inc. brought an action in the Supreme Court of the County of Onondaga in the State of New York against NHTC and Natural Health Laboratories in the amount of approximately \$126,000 for alleged

breach of contract. NHTC's management argued that the complaint naming NHTC as a defendant was erroneous, a case of mistaken identity, and successfully had NHTC removed as a defendant.

### C. Major Supplier

NHTC currently buys all of its Pycnogenol(R), an important component of its products, from a single supplier, Natural Health Sciences, L.L.C.

Although there are a limited number of manufacturers of this component, management believes that other suppliers could provide similar components on comparable terms. NHTC does not maintain any contractual commitments or similar arrangements with other suppliers.

NHTC purchases its products from manufacturers and suppliers on an as needed basis. Should these relationships terminate, NHTC's supply and ability to meet consumer demands would not be adversely affected.

F-19

## 11. STOCK OPTION PLANS AND WARRANTS

The following table summarizes the changes in options and warrants outstanding, and the related exercise price for shares of NHTC's Common Stock:

<TABLE>  
<CAPTION>

	Weighted Average Exercise Price Stock			Weighted Average Exercise Price:			
	Shares	Options	Exercisable	Shares	Warrants	Exercisable	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Outstanding at December 31, 1999		3,391	601.00	3,391	28,132	700.00	28,132
Granted	--	--	--	1,389	144.00	1,389	
Cancelled	(2,950)	350.00	(2,950)	--	--	--	
Outstanding at December 31, 2000		441	\$ 1,568.00	441	29,521	674.00	29,521
Granted	63,500	\$ 1.22	63,000	--	--	--	
Cancelled	(441)	1.00	(441)	(29,521)	--	(29,521)	
Outstanding at December 31, 2001		63,500	\$ 1.22	63,000	--	--	--

</TABLE>

The following table summarizes information about exercisable stock options and warrants at December 31, 2001:

<TABLE>  
<CAPTION>

	Range of Exercise Price	Number Outstanding	Remaining Contractual Life	Average Exercise Price	Average Exercise Price	Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options:	\$1.10- \$5.00	63,500	4-9	\$1.22	63,000	\$1.23

</TABLE>

For disclosure purposes in according with Statement of Financial Accounting Standards 123 ("SFAS 123"), the fair value of options is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted during the years ended December 31, 2001 and 2000 respectively: annual dividends of \$0.00, expected volatility of 50%; risk free interest rate of 7% and expected life of 10 years. The weighted average fair value of stock options granted during the years ended December 31, 2001 and 2000 was \$0.56 and \$0.00, respectively. If NHTC had recognized compensation cost of stock options in accordance with SFAS 123, NHTC's proforma income (loss) and net income (loss) per share would have been as follows:

Year Ended December 31,

-----  
 2001      2000  
 As Restated  
 -----

Net income available to common shareholders	\$	(623,370)	\$(11,947,000)
Add: Stock-based employee compensation expense included in reported net income, net of tax effect		120,000	--

Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax effect	(35,280)	--
---	----------	----

Pro forma net income available to common stockholders	(538,650)	(11,947,000)
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Basic income per share:			
As reported	\$	(0.46)	(124.48)
Pro forma	\$	(0.46)	(124.48)

Diluted income per share:			
As reported	\$	(0.46)	(124.48)
Pro forma	\$	(0.46)	(124.48)

F-20

## 12. FOREIGN SALES

NHTC has substantially increased its international presence both in sales and long-lived assets. NHTC's sales and long-lived assets by country as of December 31, 2001 are as follows:

<TABLE>  
<CAPTION>

	United States	Australia and New Zealand	Other Subsidiaries	Consolidated
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales to unaffiliated customers	\$20,894,000	\$ 2,094,000	\$ -0-	\$22,988,000
Long-lived assets at December 31, 2001	\$ 725,000	\$ 55,000	\$ -0-	\$ 780,000

</TABLE>

## 13. FOURTH QUARTER ADJUSTMENTS

Fourth quarter adjustments include the following:

Penalties on Preferred Stock	\$ 1,586,000
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F-21

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: Dallas, Texas  
 April 12, 2004

NATURAL HEALTH TRENDS CORP.

By: /s/ MARK D. WOODBURN

-----  
 Mark D. Woodburn  
 President and Chief Financial Officer  
 (Principal Financial and Accounting Officer)

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	----
/s/ MARK D. WOODBURN ----- Mark D. Woodburn	President, Chief Financial Officer and Director	April 12, 2004

9

#### CERTIFICATION

Pursuant to Section 302 of the Sarbanes Oxley Act of 2002

I, Mark Woodburn, certify that:

1. I have reviewed this amended annual report on Form 10-KSB/A of Natural Health Trends Corp.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:
  - a) designed such internal controls to ensure that material information relating to the registrant and its subsidiaries (collectively, the "Company") is made known to me by others within the Company, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's internal controls as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) all significant deficiencies (if any) in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 12, 2004

/s/ MARK WOODBURN

-----  
Mark Woodburn  
President and Chief Financial Officer

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 amended Annual Report of Natural Health Trends Corp. (the "Company") on Form 10-KSB/A for fiscal year ended December 31, 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

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Mark D. Woodburn  
President and Chief Financial Officer

April 12, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.