

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, 2002

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

(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 November 11, 2002 were 3,450,722 shares.

NATURAL HEALTH TRENDS CORP.
Form 10-QSB/A
For Quarter Ended September 30, 2002

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, 2002

INDEX

	Page Number
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Consolidated Balance Sheet as of September 30, 2002	1
Consolidated Statements of Operations for the three and nine months ended September 30, 2002 and 2001	2
Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2002 and 2001	3
Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2001	4
Notes to the Consolidated Financial Statements	5
Item 2. Management's discussion and analysis or plan of operation	9
Item 3. Controls and Procedures	12
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 2. Changes in Securities and Use of Proceeds	13
Item 3. Defaults Upon Senior Securities	13
Item 4. Submission of Matters to a Vote of Security Holders	13
Item 5. Other Information	13
PART III - OTHER	
Item 6. Exhibits and Reports on Form 8-K	13
Signature	14
Certifications	15

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

September 30,
2002
As Restated

ASSETS

Current Assets:	
Cash	\$ 4,423,983
Restricted cash	248,727
Accounts receivable	459,228
Inventories	2,049,489
Prepaid expenses and other current assets	773,622
Total Current Assets	7,955,049
Property and Equipment, net	424,574

Deposits and Other Assets	793,859
Goodwill	207,765
Website	99,750

Total Assets	\$ 9,480,997
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:

Accounts payable	\$ 5,569,074
Accrued expenses	1,451,215
Accrued associate commissions	1,692,274
Notes payable	355,328
Current portion of long-term debt	204,512
Income tax payable	210,000
Deferred revenue	2,695,408
Other current liabilities	430,238

Total Current Liabilities 12,608,049

Long-term debt 101,177

Total Liabilities 12,709,226

231,253

Minority interest

Stockholders' Deficit:

Preferred stock (\$1,000 par value; authorized 1,500,000 shares; issued 768 shares)	767,588
Common Stock (\$.001 par value; authorized 500,000,000 shares; issued and outstanding 3,450,722 shares)	3,451
Additional paid-in capital	31,459,264
Accumulated deficit	(35,629,779)
Deferred compensation	(213,750)
Accumulated other comprehensive income	153,744

Total Stockholders' Deficit (3,459,482)

Total Liabilities and Stockholders' Deficit \$ 9,480,997

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

1
NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	As Restated	As Restated	As Restated	As Restated
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 10,840,365	\$ 7,028,882	\$ 24,555,530	\$ 19,114,349
Cost of Sales	1,995,547	1,275,035	4,415,042	4,350,485
	-----	-----	-----	-----
Gross Profit	8,844,818	5,753,847	20,140,488	14,763,864
Associate commissions	4,665,502	2,879,856	12,412,739	9,333,493
Selling, general and administrative expenses	2,878,838	2,496,411	7,216,289	4,290,066
	-----	-----	-----	-----
Operating income				

	1,300,478	377,580	511,460	1,140,305
Minority interest in subsidiary	(35,161)	--	(95,539)	--
Gain/loss on foreign exchange	45,113	231	(33,758)	(13)
Other expense/income	5,222	20,137	(71,247)	55,146
Interest, net	(11,729)	4,088	(44,338)	(11,446)
	-----	-----	-----	-----
Net income	1,303,923	402,036	266,578	1,183,992
Preferred stock dividends	19,313	50,875	60,773	281,804
	-----	-----	-----	-----
Net income to common shareholders	\$ 1,284,610	\$ 351,161	\$ 205,805	\$ 902,188
	=====	=====	=====	=====
Basic income per common share	\$ 0.42	\$ 0.19	\$ 0.07	\$ 0.84
	=====	=====	=====	=====
Basic weighted common shares used	3,049,246	1,867,081	2,897,142	1,073,852
	=====	=====	=====	=====
Diluted income per common share	\$ 0.42	\$ 0.10	\$ 0.07	\$ 0.54
	=====	=====	=====	=====
Diluted weighted common shares used	3,058,679	3,538,772	2,906,576	1,671,338
	=====	=====	=====	=====

</TABLE>

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

2

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	As Restated	As Restated	As Restated	As Restated
	-----	-----	-----	-----
<S> Net income	<C> \$1,303,923	<C> \$ 402,036	<C> \$ 266,578	<C> \$1,183,992
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	96,328	(20,462)	155,985	16,741
	-----	-----	-----	-----
Comprehensive income	\$1,400,251	\$ 381,574	\$ 422,563	\$1,200,733
	=====	=====	=====	=====

</TABLE>

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

3

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

Nine Months Ended
September 30,

	2002 As Restated	2001 As Restated	
<S>	<C>	<C>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 266,578	\$ 1,183,992	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	367,296	7,259	
Impairment of fixed assets	--	35,448	
Issuance of stock for services and interest/penalties	5,350	1,333,861	
Minority interest of subsidiary	95,539	--	
Changes in assets and liabilities:			
Accounts receivable	(339,411)	(114,406)	
Inventories	(962,228)	(663,162)	
Prepaid expenses	(110,598)	(654,292)	
Deposits and other assets	(469,174)	(521,029)	
Accounts payable	1,533,399	1,607,115	
Accrued expenses(i)	2,227,589	(1,201,555)	
Deferred revenue	1,540,315	1,339,058	
Other current liabilities	323,015	(200,785)	
Total Adjustments	4,211,092	967,512	
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,477,670	2,151,504	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(399,329)	(141,709)	
(Increase) decrease in restricted cash	(147,918)	(7,918)	
NET CASH USED IN INVESTING ACTIVITIES	(547,247)	(149,627)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Investments by minority interest owner	135,714	--	
Proceeds from preferred stock	--	50,000	
Payments on capital lease obligations	--	(46,590)	
Proceeds from notes payable and long-term debt(i)	75,000	150,000	
Change in deferred compensation	--	(565,417)	
Payments of notes payable and long-term debt	(197,454)	(48,773)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	13,260	(460,780)	
Effect of exchange rate	155,985	16,741	
NET INCREASE IN CASH	4,099,668	1,557,838	
CASH, BEGINNING OF PERIOD	324,315	108,419	
CASH, END OF PERIOD	\$ 4,423,983	\$ 1,666,257	

</TABLE>

(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.

4
NATURAL HEALTH TRENDS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2002
(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, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. 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, 2001.

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 "NHLC". 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 the twelve-month term of the membership. The restatement resulted in net sales for the three and nine-month periods ended September 30, 2002 being decreased by approximately \$156,000 and \$1,537,000, respectively. The restatement resulted in

5

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 \$115,000 and \$325,000 for the three and nine-month periods ended September 30, 2002, respectively. 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 September 2002 financial statements.

The Company had not recorded reserves for distributor returns and refunds as of September 30, 2003 and for prior periods. Based upon an 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 three and nine-month periods ended September 30, 2002 being decreased by approximately \$88,000 and \$263,000, respectively, with corresponding adjustments to cost of sales for the estimated cost of products returned. This restatement had no adjustment on the three and nine month period ended September 30, 2001.

As previously disclosed in the Company's 2001 and 2002 Form 10-KSB, the Company sold in 2001 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 of approximately \$3.1 million was previously deferred. The Company subsequently recognized into income approximately \$1.9 million from the transaction over the period from Q4 2001 through Q2 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. The restatement resulted in an extraordinary item of forgiveness of debt for the three and nine months ended September 30, 2002, being decreased by \$200,000 and \$600,000, respectively.

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 for the quarters ended September 30, 2001 and September 30, 2002.

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 September 30, 2002		Nine Months Ended September 30, 2002	
	As Previously Reported	As Restated	As Previously Reported	As Restated
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 11,084	\$ 10,840	\$ 26,355	\$ 24,555
Cost of sales	2,128	1,995	4,793	4,415
Gross profit	8,956	8,845	21,562	20,140
Operating expenses	7,544	7,544	19,629	19,629
Operating income	1,412	1,301	1,933	511
Interest expense, other income, loss on foreign exchange and gain on discontinued operations	203	3	356	(244)
Net income	1,615	1,304	2,289	267
Preferred stock dividends	19	19	61	61
Net income available to common stockholders	\$ 1,596	\$ 1,285	\$ 2,228	\$ 206
Basic income per share	\$ 0.52	\$ 0.42	\$ 0.77	\$ 0.07
Basic weighted common share used	3,049	3,049	2,897	2,897
Diluted income per share	\$ 0.52	\$ 0.42	\$ 0.77	\$ 0.07
Diluted weighed commons shares used	3,059	3,059	2,907	2,907

</TABLE>

6

Basic and Diluted Income per share:

The adjustments in net sales, cost of sales, operating expenses, other income and income taxes resulted in a net decrease in net income available to stockholders of approximately \$311,000 and \$2,022,000 over the amounts previously reported for the three and nine months ended September 30, 2002, respectively. Restated basic and diluted income per share decreased \$0.10 and \$0.70, respectively, for the three and nine months ended September 30, 2002.

<TABLE>

<CAPTION>

	Three Months Ended September 30, 2001		Nine Months Ended 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 weighted commons shares used	3,539	3,539	1,671	1,671

</TABLE>

7

Basic and Diluted Income per share:

The adjustments in net sales, cost of sales, operating expenses, other income and income taxes 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 \$2,695,000 as of September 30, 2002.

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.

4. Recent Accounting Pronouncements

In July 2001, FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", ("SFAS No. 142"), which is effective for fiscal years beginning after December 15, 2001. SFAS No. 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.

8

Application of the non-amortization provisions of the Statement did not have an effect on the Company's financial position or operations.

In August 2001, the FASB issued Statement of Financial Accounting Standards 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 October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," which supercedes Statement of Financial Accounting Standards No. 121 ("SFAS No. 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 No. 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 No. 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 No. 144 are effective for fiscal years beginning after December 15, 2001. The Company implemented SFAS No. 144 and SFAS No. 143 beginning January 1, 2002.

5. Equity Transactions

During the first nine months of 2002, the Company received notice of conversion on \$1,556,710 of Series F, H and J Preferred Stock. The Company issued 985,381 shares of Common Stock upon conversion of the shares of Preferred Stock and the accrued dividends thereon.

The Company issued 19,300 shares of Common Stock to a law firm in the first nine months of 2002 for legal services of approximately \$57,100.

The Company issued 236,663 shares of Common Stock in the first nine months of 2002 for payments of notes payable and accrued interest of approximately \$279,000.

Item 2. Management's Discussion and Analysis or Plan of Operation

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 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

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 Over-the-Counter Bulletin Board (the "OTCBB") under the symbol "NHTC".

NHTC is a holding company that operates two businesses, both of which distribute products that promote health, wellness and sexual vitality through the multi-level marketing ("MLM") channel.

9

NHTC's largest operation is 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"), in New Zealand as Kaire Nutraceuticals New Zealand Limited ("Kaire New Zealand"), and in Trinidad as Kaire Trinidad, Ltd. ("Kaire Trinidad").

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 10,000,000 shares of Common Stock.

In March 2001, Global Health Alternatives, Inc., a Delaware corporation and wholly-owned subsidiary of NHTC ("GHA"), and Ellon, Inc., a Delaware 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").

In June 2001, NHTC incorporated Lighthouse Marketing Corporation ("LMC"), a Delaware Corporation and a wholly-owned subsidiary of NHTC. As of June 30, 2002, LMC had not conducted any business, but intends to conduct business in the future.

On November 16, 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").

On January 28, 2002, NHTC incorporated MyLexxus Europe AG, a corporation organized under the laws of Switzerland and a majority-owned subsidiary of NHTC ("Lexxus Europe"). This company manages the sales of product into sixteen eastern European countries, including Russia.

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

In April 2002, NHTC incorporated Personal Care International India Pvt. Ltd., a corporation organized under the laws of India and a majority-owned subsidiary of NHTC ("MyLexxus India").

In June 2002, NHTC incorporated Lexxus Marketing Pte. Ltd., a corporation organized under the laws of Singapore and a majority-owned subsidiary of NHTC ("Lexxus Singapore").

Results of Operations - Nine Months Ended September 30, 2002 Compared To The Nine Months Ended September 30, 2001.

As discussed in Note 2 to the consolidated financial statements, we have amended and restated our results for both the three and nine month periods ended September 30, 2002 and 2001. All of the following analyses apply the basis of the restated amounts.

Net Sales. Net sales were approximately \$24,556,000 and \$19,114,000 for the nine months ended September 30, 2002 and September 30, 2001, respectively; an increase of approximately \$5,442,000 or 28%. The increased sales were primarily from the sales of Lexxus products at varying prices in different markets and the expansion of Lexxus into international markets offset by a slight decrease in the sales of eKaire products and by the deferral of revenue related to the administrative enrollment fee of distributors.

Cost of Goods Sold. Cost of goods sold for the nine months ended September 30, 2002 was approximately \$4,415,000 or 18% of net sales. Cost of goods sold for the nine months ended September 30, 2001 was approximately \$4,350,000 or 23% of net sales. Cost of goods sold decreased as a percentage of net sales due to increased sales volume of higher margin inventory, the lower costs associated with the packaging of the Lexxus product line, and increased efficiencies gained from global distribution channels partially offset by the deferral of the cost of sales related to the direct cost of the administrative enrollment fee of the distributors.

10

Gross Profit. Gross profit increased from approximately \$14,764,000 for the nine months ended September 30, 2001 to approximately \$20,140,000 for the nine months ended September 30, 2002. The increase of approximately \$5,376,000 or 36% is attributable to higher sales volumes by Lexxus and the international expansion of Lexxus slightly 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 \$12,413,000 in the nine months ended September 30, 2002 compared to approximately \$9,333,000 for the nine months ended September 30, 2001, an increase of approximately

\$3,080,000. This increase is directly attributable to the higher sales volume generated in 2002.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of net sales increased from approximately \$4,290,000 or 22% of net sales in the nine months ended September 30, 2001 to approximately \$7,216,000 or 29% of net sales in the nine months ended September 30, 2002. These expenses as a percentage of net sales increased primarily due to the expansion of Lexxus into international markets and the development of a strong global infrastructure, including increased personnel and facility costs.

Operating Income. Operating income decreased from approximately \$1,140,000 for the nine months ended September 30, 2001 to approximately \$511,000 for the nine months ended September 30, 2002. The decrease is due to the initial costs incurred in opening international offices and developing a marketing strategy in international markets.

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, 2002 or the nine months ended September 30, 2001 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. Net income was approximately \$267,000 in the nine months ended September 30, 2002 as compared to approximately \$1,184,000 in the nine months ended September 30, 2001.

Liquidity and Capital Resources

The Company has funded working capital and capital expenditure requirements primarily from cash receipts, which are directly from the sale of Lexxus and eKaire products.

In the nine months ended September 30, 2002, NHTC issued 509,882 shares of Common Stock to an accredited investor upon conversion of \$1,096,710, face amount of Series F Preferred Stock pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Act").

In the nine months ended September 30, 2002, NHTC issued 60,827 shares of Common Stock to an accredited investor upon conversion of \$75,000, face amount of Series H Preferred Stock pursuant to Section 4(2) of the Act.

In the nine months ended September 30, 2002, NHTC issued 414,673 shares of Common Stock to an accredited investor upon conversion of \$385,000, face amount of Series J Preferred Stock pursuant to Section 4(2) of the Act.

At September 30, 2002, the ratio of current assets to current liabilities was 0.63 to 1.0 and the Company had a working capital deficit of approximately \$4,653,000.

Cash provided by operations for the nine months ended September 30, 2002 was approximately \$4,478,000. Cash used in investing activities during the period was approximately \$547,000, primarily due to increase in restricted cash and capital expenditures. Cash provided by financing activities during the period was approximately \$13,000. Total cash increased by approximately \$4,100,000 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

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.

SEASONALITY

In addition to general economic factors, we are impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, most Asian markets celebrate their respective local New Year in the first quarter, which generally has a negative impact on that quarter. We believe that direct selling in the United States and Europe is also generally negatively impacted during the month of August, which is in our third quarter, when many individuals, including our distributors, traditionally take vacations.

CURRENCY RISK AND EXCHANGE RATE INFORMATION

Some of our revenue and some of our expenses are recognized outside of the United States, except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our subsidiary's primary markets is considered the functional currency. Revenue and expenses are translated at the weighted average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition.

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 quarters ended September 30 and December 31, 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 and 2002, 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

On November 22, 2001, Pfizer, Inc. filed an action in the United States District Court, Southern District of New York, against Lexxus alleging that Lexxus' distribution and marketing of Viacreme TM infringes on

Pfizer's federally registered trademark, Viagra (R). Pfizer's complaint alleges 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 settled the Pfizer lawsuit amicably in July 2002.

Item 2. Changes in Securities and Use of Proceeds

In the three months ended September 30, 2002, NHTC issued 23,087 shares of Common Stock to an accredited investor upon conversion of \$25,000, face amount of Series H Preferred Stock pursuant to Section 4(2) of the Act.

In the three months ended September 30, 2002, NHTC issued 229,397 shares of Common Stock to an accredited investor upon conversion of \$110,000, face amount of Series J Preferred Stock pursuant to Section 4(2) of the Act.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

PART III - OTHER

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Certification of President and Chief Financial Officer

(b) Reports on Form 8-K

8-K with date of report of May 11, 2002 filed September 30, 2002

13

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

Date: April 12, 2004

14

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, 2002 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
and Director

April 12, 2004