

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, 2002

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: \$36,968,048.

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of March 27, 2003 was approximately \$5,063,000 (based upon a closing price of \$1.10 per share).

The number of shares of the Common Stock of the issuer outstanding as of March 27, 2003 was 4,628,731.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates certain information by reference from the Registrant's Definitive Proxy Statement for the Registrant's Annual Meeting to be held during the second quarter of 2003.

Natural Health Trends Corp.
Form 10-KSB/A
(Amendment No. 1)
2002 Annual Report

Explanatory Note:

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 below and in note 1 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.

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PART II

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

BACKGROUND

NHTC was incorporated on December 1, 1988 in the state of Florida as "Florida Institute of Massage Therapy, Inc.", and changed its name to "Natural Health Trends Corp." on June 24, 1993. The Florida Institute of Massage Therapy, Inc. was initially formed to primarily operate vocational schools in Florida. In August 1998, we sold the 3 vocational schools that we operated. In July 1997, we acquired all of the outstanding capital stock of Global Health Alternatives, Inc. ("GHA") which operated our natural health care product division. NHTC's Common Stock, par value \$0.001 per share (the "Common Stock") is listed on the OTCBB. In March 2003, NHTC 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". All share references will give effect to the reverse stock split.

NHTC is a holding company that operates two businesses, which distribute products that promote health, wellness and vitality through a multi-level marketing ("MLM") channel. The following paragraphs will outline the progression of NHTC as it is organized today.

NHTC's largest operation is its Lexxus subsidiaries ("Lexxus"). The U.S. company is called Lexxus International, Inc. a Delaware corporation and a majority-owned subsidiary of NHTC. Lexxus sells products that can be described as "quality of life" products, heightening sexual arousal, health and beauty.

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 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 ("Lighthouse"), a Delaware Corporation and a wholly owned subsidiary of NHTC. On January 31, 2003, NHTC entered into a Database Purchase Agreement with NuEworld.com Commerce, Inc. and Lighthouse, pursuant to which Lighthouse purchased a database of distributors from NuEworld in exchange for the issuance of 360,000 shares of our Common Stock.

In June 2001, NHTC sold 100% of the Common Stock in Kaire Nutraceuticals, Inc., Delaware Corporation, to a 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 ("MyLexxus 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").

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

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

In November 2002, NHTC incorporated Lexxus International (Philippines) Inc., a corporation organized under the laws of the Philippines and a majority-owned subsidiary of NHTC ("Lexxus Philippines").

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 February 1999, NHTC Holdings Inc. 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, tradenames, servicemarks, 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. ("GHA"), a Delaware corporation and wholly owned subsidiary of NHTC, and Ellon, Inc. ("Ellon"), a Delaware corporation and wholly-owned subsidiary of GHA, 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 2001. Both GHA and Ellon were dissolved in June 2001.

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 years ended December 31, 2002 and 2001 being decreased by approximately \$1,336,000 and \$1,155,000, 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 \$336,000 and \$416,000 for the years ended December 31, 2002 and 2001, respectively.

In connection with the 2003 annual audit, the Company reviewed its revenue cut-off as of the beginning of 2003. It was noted that approximately \$1,008,000 of sales originally recorded in 2002 were not actually shipped until early 2003. The restatement resulted in net sales for the year ended December 31, 2002 being decreased by \$1,008,000 and net sales for the three months ended March 31, 2003 being increased by the same amount. The restatement also resulted in distributor commissions for the year ended December 31, 2002 being decreased by \$459,000 and distributor commissions for the three months ended March 31, 2003 being increased by the same amount.

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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 have been recorded. The restatement resulted in net sales for the years ended December 31, 2002 and 2001 being decreased by approximately \$350,000 and \$650,000, respectively, 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, 2002, the Company is now recognizing \$2,400,000 of gain on the sale of Kaire as Discontinued Operations and is reducing its Other Income by \$800,000. 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 \$300,000 was necessary for the year ended December 31, 2002 and 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, 2002, the restatement resulted in \$1,434,000 being charged to stock option 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):

<TABLE>

<CAPTION>

	Year Ended		Year Ended	
	December 31, 2002		December 31, 2001	
	As	As	As	As
	Previously	As	Previously	As
	Reported	Restated	Reported	Restated
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 39,662	\$ 36,968	\$ 24,794	\$ 22,989
Cost of sales	7,391	6,985	5,876	5,298
Gross profit	32,271	29,983	18,918	17,691
Operating expenses	28,770	29,745	17,636	17,756
Income from operations		3,501	238	1,282
Other income (expense)		601	(199)	741
Income (loss) from continuing operations before taxes	4,102	39	2,023	(34)
Income tax expense	--	300	--	210
Income (loss) before discontinued operations		4,102	(261)	2,023
Gain on discontinued operations, net		--	2,400	--
Net income (loss)	4,102	2,139	2,023	466
Preferred stock dividends	70	70	1,089	1,089
Net income (loss) available to common stockholders	\$ 4,032	\$ 2,069	\$ 934	\$ (623)
Basic income (loss) per share:				
Continuing operations	\$ 1.29	\$ (0.11)	\$ 0.70	\$ (0.98)
Discontinued operations	--	\$ 0.77	--	0.52
Net income (loss)	\$ 1.29	\$ 0.66	\$ 0.70	\$ (0.46)
Basic weighted common shares used		3,118	3,118	1,342
Diluted income per share:				
Continuing operations	\$ 1.24	\$ (0.11)	\$ 0.39	\$ (0.98)
Discontinued operations	--	0.77	--	0.52
Net income (loss)	\$ 1.24	\$ 0.66	\$ 0.39	\$ (0.46)
Diluted weighed common shares used		3,247	3,118	2,393

</TABLE>

income and income taxes resulted in a net decrease in income before discontinued operations of approximately \$4,363,000 from the amounts previously reported for the year ended December 31, 2002. Net income available to stockholders decreased by approximately \$1,963,000 from the amounts previously reported. Restated basic and diluted income per share from continuing operations decreased by \$1.40 and \$1.35, respectively, from the amounts previously reported for the year ended December 31, 2002. Net income for basic and diluted income per share decreased by \$0.63 and \$0.58, respectively, from the amounts previously reported for the year ended December 31, 2002.

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 1 to the consolidated financial statements, we have restated our results for the year December 31, 2002 and 2001. All of the following analyses apply the basis of the restated amounts.

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Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

Revenues

Revenues for the year ended December 31, 2002 were approximately \$36,968,000 as compared to revenues for the year ended December 31, 2001 of approximately \$22,989,000, an increase of approximately \$13,979,000 or approximately 61%. The increased sales for the year ended December 31, 2002 were primarily from the sale of Lexxus products with an expansion into many other countries and with eKaire showing a slight rise in sales from the year ended December 31, 2001.

Cost of Sales

Cost of sales for the year ended December 31, 2002 was approximately \$6,985,000 or 19% of revenues. Cost of sales for the year ended December 31, 2001 was \$5,298,000 or 23% of revenues. The total cost of sales increased by approximately \$1,688,000 or 32%, most of which was attributable to Lexxus product mix and sales volume compared to 2001 sales of eKaire products and a smaller Lexxus product mix in fewer countries. 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 products.

Gross Profit

Gross profit increased from approximately \$17,691,000 in the year ended December 31, 2001 to approximately \$29,983,000 in the year ended December 31, 2002. The increase was approximately \$12,292,000 or 69%. The increase was attributable to the increase in gross sales by both Lexxus and eKaire and the reduction of cost of sales as a percentage of sales due to the growth of Lexxus into more international markets.

Commissions

Associate commissions were approximately \$16,834,000 or 46% of revenues in the year ended December 31, 2002 compared with approximately \$12,449,000 or 54% of revenues for the year ended December 31, 2001. The increase of commission expense is directly related to the increase in gross sales and the terms of the compensation plans. The decrease in the commission as a percentage of revenue is due to the normal fluctuations that occur in the compensation plan and also due to the amount of revenue allocated to the compensation plan.

Selling, General and Administrative Expenses

Selling, general and administrative costs increased from approximately \$5,187,000 or 23% of revenues in the year ended December 31, 2001 to approximately \$11,477,000 or 31% of revenues in the year ended December 31, 2002, an increase of approximately \$6,290,000 or 121% which is attributable to the significant international expansion of Lexxus in 2002 with increased administrative expenses related to the opening of new offices.

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Stock Option Based Compensation

Stock option based compensation increased to \$1,434,000 for the year ended December 31, 2002 from \$120,000 for the year ended December 31, 2001 due to the variable accounting triggered by a "cashless exercise" feature of certain stock options granted during 2001 and 2002.

Income Taxes

Income taxes were approximately \$300,000 or 20% of net income before taxes for the year ended December 31, 2002 compared to \$210,000 or 247% of net income before taxes for the year ended December 31, 2001. The increase in income taxes for 2002 was due to greater net income before taxes in the foreign subsidiaries not offset by the net operating losses of the US parent.

Loss before Discontinued Operations

Loss before discontinued operations was approximately \$261,000 in the year ended December 31, 2002 as compared to a loss before discontinued operations of approximately \$244,000 in the year ended December 31, 2001.

Discontinued Operations

During the year ended December 31, 2002, NHTC realized a gain of approximately \$2,400,000 related to the sale and resulting discontinued operations of Kaire Nutraceuticals, Inc. During the year ended December 31, 2001, NHTC realized a gain of approximately \$710,000 pertaining to this transaction.

Net Income

Net income was approximately \$2,139,000 in the year ended December 31, 2002 or approximately 10% of revenues as compared to net income of approximately \$466,000 in the year ended December 31, 2001.

Liquidity and Capital Resources

NHTC has funded the working capital and capital expenditure requirements primarily from cash provided through sales of products and through borrowings from institutions and individuals.

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. During 2001, \$206,194 face amount of Series J Preferred Stock was converted into 122,604 shares of Common Stock. During 2002, \$777,476 face amount of Series J Preferred Stock was converted into 1,025,397 shares of Common Stock. At the end of 2002, \$16,330 face amount of Series J Preferred Stock was still outstanding.

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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 bore interest at 10% per annum and was payable on demand. The note was 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 April 2002, these 50 shares of Series H Preferred Stock and \$5,666 of accrued dividends were converted into 37,739 shares of Common Stock.

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 bore interest at 10% per annum and was payable on demand. The note was 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 bore interest at 10% per annum and was payable on demand. The note was 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 bore interest at 10% per annum and was payable on demand. The note was 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. The note was converted into an aggregate of 78,343 shares of Common Stock in September 2002.

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 was 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 November 2002, these 50

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shares of Series H Preferred Stock and \$6,389 of accrued dividends were converted into 40,422 shares of Common Stock.

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. In September 2002, 25 shares of Series H Preferred Stock were converted into 23,087 shares of Common Stock. In November 2002, 25 shares of Series H Preferred Stock and \$5,440 of accrued dividends were converted into 36,248 shares of Common Stock.

In December 2001, NHTC borrowed \$138,000 from Augusta Street LLC. This indebtedness was evidenced by NHTC's issuance of a convertible promissory note. The note bore interest at 4.75% per annum and was payable on demand. The note was 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. The note was converted into an aggregate of 106,562 shares of Common Stock in September 2002.

During 2002, \$1,200,960 face amount of Series F Preferred Stock was converted into 610,995 shares of Common Stock.

In November 2002, NHTC paid \$100,000 and issued a promissory note of

\$120,000 to redeem 180 shares of Series F Preferred Stock. The note is due on December 31, 2003.

At December 31, 2002, the ratio of current assets to current liabilities was .89 to 1.0 and NHTC had a working capital deficit of approximately \$1,187,000.

Cash provided by operations for the period ended December 31, 2002 was approximately \$4,486,000. Cash used by investing activities during the period was approximately \$933,000, which primarily relates to the capital expenditures relating to the expansion of several international offices and to the increase of restricted cash related to the credit card reserve. Cash used in financing activities during the period was approximately \$5,000, primarily utilized for the repayment of notes payable and long-term debt partially offset by capital contributions of minority shareholders of certain subsidiaries. Total cash increased by approximately \$3,540,000 during the period.

ITEM 7. FINANCIAL STATEMENTS.

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.

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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:

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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 ("NHTC") as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2002. These consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present, in all material respects, the consolidated financial position of Natural Health Trends Corp. and Subsidiaries as of December 31, 2002, and the consolidated results of its operations and its cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

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

/s/ Sherb & Co., P.C.

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

New York, New York
 March 7, 2003 (except for note 2
 which is dated as of March 24, 2004)

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET

December 31,
 2002

ASSETS	As Restated

Current Assets:	
Cash	\$ 3,863,946
Restricted cash	327,885
Account receivables	519,752
Inventories	3,153,624
Prepaid expenses and other current assets	1,618,650

Total Current Assets	9,483,857
Property and equipment, net	698,918
Goodwill	207,765
Website	55,417
Deposits and other assets	331,606

Total Assets Total	\$ 10,777,563
=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 3,249,417
Accrued expenses	1,475,639
Accrued commission payable	677,409
Notes payable	401,523
Current portion of long term debt	204,337
Income tax payable	510,000
Deferred revenue	3,499,392
Other current liabilities	653,043

Total Current Liabilities	10,670,760
Long term debt	77,750

Total Liabilities	10,748,510

Minority interest 426,747

Stockholders' Equity:

Preferred stock (\$1,000 par value;
authorized 1,500,000 shares;
issued and outstanding 16 shares) 16,330
Common stock (\$0.001 par value;
authorized 500,000,000 shares;
issued and outstanding 4,239,439 shares) 4,240
Additional paid in capital 33,504,514
Accumulated deficit (33,766,962)
Deferred compensation (146,250)
Cumulative currency translation adjustment (9,566)

Total Stockholders' Equity (397,694)

Total Liabilities and Stockholders' Equity \$ 10,777,563

See Notes to Consolidated Financial Statements

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years Ended December 31,	
	2002	2001
	As Restated	As Restated
<S>	<C>	<C>
Revenues	\$ 36,968,048	\$ 22,988,943
Cost of sales	6,985,139	5,297,637
Gross Profit	29,982,909	17,691,306
Associate commissions	16,834,000	12,449,357
Selling, general and administrative expenses	11,477,024	5,186,633
Stock option based compensation	1,434,000	120,000
Income from operations	237,885	(64,684)
Minority interest in subsidiary	(231,991)	105,686
Gain (loss) on foreign exchange	20,557	(5,861)
Other income, net	73,132	87,246
Interest expense, net	(60,850)	(156,549)
Income from continuing operations before taxes	38,733	(34,162)
Income taxes	300,000	210,000
Income before discontinued operations	(261,267)	(244,162)
Gain on discontinued operations, net of taxes	2,400,000	710,023
Net income	2,138,733	465,861
Preferred stock dividends	70,111	1,089,231
Net income available to common shareholders	\$ 2,068,622	\$ (623,370)
Basic income per common share:		
Continuing operations	\$ (0.11)	\$ (0.98)
Discontinued operations	0.77	0.52
Net income	\$ 0.66	\$ (0.46)

Basic weighted common shares used	3,118,196	1,342,068
Diluted income per common share:		
Continuing operations	\$ (0.11)	\$ (0.98)
Discontinued operations	0.77	0.52
Net income	\$ 0.66	\$ (0.46)
Diluted weighted common shares used	3,118,196	1,342,068

</TABLE>

See Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

	Common Stock		Preferred Stock			
	Shares	Amount	Shares	Amount	APIC	
BALANCE -December 31, 2000	157,621	\$	157	5,752	\$ 5,752,410	\$ 23,759,408
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	--	
Conversion of Convertible Series J Preferred Stock	122,604		123	(206)	(206,194)	206,071
Conversion of Notes 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	
Stock option based compensation					120,000	
Foreign currency translation						
Acquisition	100,000	100			109,900	
Deferred Compensation						
Net Income						
BALANCE -December 31, 2001 (restated)	2,209,379	\$	2,209	2,324	\$ 2,324,298	\$ 29,557,552
Conversion of Convertible Series F Preferred Stock	610,995		611	(1,201)	(1,200,960)	1,200,349
Conversion of Convertible Series H Preferred Stock	137,497		137	(150)	(150,000)	149,863
Conversion of Convertible Series J Preferred Stock	1,025,397		1,026	(777)	(777,476)	776,450
Conversion of Notes Payable to Common Stock	236,663		237		279,885	
Conversion of Series F Preferred Stock to note payable			(180)	(179,532)		
Shares issued for services	19,510		20		36,304	
Preferred Stock dividends					70,111	
Stock option based compensation					1,434,000	
Foreign currency translation						
Deferred Compensation						
Net Income						
BALANCE -December 31, 2002 (restated)	4,239,441	\$	4,240	16	\$ 16,330	\$ 33,504,514

</TABLE>

<TABLE>
<CAPTION>

	Accum Deficit	Foreign Currency	Comp	Total	
<S>	<C>	<C>	<C>	<C>	
BALANCE -December 31, 2000		(\$35,212,214)	(\$ 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	
Conversion of Convertible Series J Preferred Stock				--	
Conversion of Notes Payable to Common Stock				423,013	
Shares issued for services				521,550	
Penalties			8,290		
Preferred Stock dividends	(1,089,231)			--	
Stock option based compensation				120,000	
Foreign currency translation		34,962		34,962	
Acquisition			110,000		
Deferred Compensation			(416,250)	(416,250)	
Net Income	465,861			465,861	
BALANCE -December 31, 2001 (restated)		\$(35,835,584)	\$ (2,241)	\$ (416,250)	\$(4,370,016)
Conversion of Convertible Series F Preferred Stock				--	
Conversion of Convertible Series H Preferred Stock				--	
Conversion of Convertible Series J Preferred Stock				--	
Conversion of Notes Payable to Common Stock				280,122	
Conversion of Series F Preferred Stock to note payable				(179,532)	
Shares issued for services				36,324	
Preferred Stock dividends	(70,111)			--	
Stock option based compensation				1,434,000	
Foreign currency translation		(7,325)		(7,325)	
Deferred Compensation			270,000	270,000	
Net Income	2,138,733			2,138,733	
BALANCE -December 31, 2002 (restated)		\$(33,766,962)	\$ (9,566)	\$ (146,250)	\$(397,694)

</TABLE>

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2002	2001
	As Restated	As Restated
Net Income	\$ 2,138,733	\$ 465,861
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(7,325)	34,962
Comprehensive Income	\$ 2,131,408	\$ 500,823

See Notes to Consolidated Financial Statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31,	
	2002	2001
	As Restated	As Restated
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,138,733	\$ 465,861
Less gain from discontinued operations		(2,400,000) (710,023)
Income from continuing operations		(261,267) (244,162)
Adjustments to reconcile income from continuing operations to net cash provided:		
Depreciation and amortization	199,698	121,659
Impairment of fixed assets	--	35,448
Minority interest in subsidiary	231,991	(105,686)
Common Stock issued for services and penalties		36,324 529,841
Stock option based compensation	1,434,000	120,000
Change in deferred compensation	270,000	(416,250)
Changes in assets and liabilities		
Accounts receivable	(399,935)	(68,049)
Inventories	(2,066,363)	(890,192)
Prepaid expenses	(496,922)	(645,432)
Deposits and other assets	(465,625)	(237,646)
Accounts payable	1,613,742	1,698,929
Accrued expenses	642,182	(713,728)
Accrued commissions	557,557	(31,832)
Deferred revenue	2,344,299	1,035,680
Income tax payable	300,000	210,000
Other current liabilities	545,820	(177,432)
Total adjustments	4,746,768	465,310
Net Cash Provided by Operating Activities	4,485,501	221,148
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(706,364)	(141,707)
Purchase of websites	--	(133,000)
Increase in restricted cash	(227,076)	(27,975)
NET CASH USED IN INVESTING ACTIVITIES	(933,440)	(302,682)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from preferred stock	--	100,000
Minority interest contribution	194,756	--
Payments of capital lease obligation	--	(46,590)
Proceeds from notes payable and long-term debt	25,000	288,000
Payments of notes payable and long-term debt	(224,861)	(78,942)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(5,105)	262,468
EFFECT OF EXCHANGE RATE	(7,325)	34,962
NET INCREASE IN CASH	3,539,631	215,896
CASH, BEGINNING OF PERIOD	324,315	108,419
CASH, END OF PERIOD	\$ 3,863,946	\$ 324,315
DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
(1) Conversion of Preferred Stock to Common Stock	2,128,436	3,528,112
(2) Conversion of debentures, notes payable and		

related accrued interest to Common Stock	280,122	521,550
(3) Preferred Stock dividends	70,111	1,089,231
(4) Common Stock issued for acquisition	--	110,000
(5) Preferred Stock redeemed for notes payable	179,532	--

</TABLE>

See Notes to Consolidated Financial Statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 and 2001

1. ORGANIZATION

NHTC was incorporated on December 1, 1988 in the state of Florida as "Florida Institute of Massage Therapy, Inc.", and changed its name to "Natural Health Trends Corp." on June 24, 1993. The Florida Institute of Massage Therapy, Inc. was initially formed to primarily operate vocational schools in Florida. In August 1998, we sold the 3 vocational schools that we operated. In July 1997, we acquired all of the outstanding capital stock of Global Health Alternatives, Inc. ("GHA"), which operated our natural health care product division. NHTC's Common Stock, par value \$0.001 per share (the "Common Stock") is listed on the Over-the-Counter Bulletin Board (the "OTCBB"). In March 2003, NHTC 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". All share references will give effect to the reverse stock split.

NHTC is a holding company that operates two businesses, which distribute products that promote health, wellness and vitality through a multi-level marketing ("MLM") channel. The following paragraphs will outline the progression of NHTC as it is organized today.

NHTC's largest operation is its Lexxus subsidiaries ("Lexxus"). The U.S. company is called Lexxus International, Inc. a Delaware corporation and a majority-owned subsidiary of NHTC. Lexxus sells products that can be described as "quality of life" products, heightening sexual arousal, health and beauty.

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 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 ("Lighthouse"), a Delaware Corporation and a wholly owned subsidiary of NHTC. On January 31, 2003, NHTC entered into a Database Purchase Agreement with NuEworld.com Commerce, Inc. and Lighthouse, pursuant to which Lighthouse purchased a database of distributors from NuEworld in exchange for the issuance of 360,000 shares of our Common Stock.

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In June 2001, NHTC sold 100% of the Common Stock in Kaire Nutraceuticals, Inc., Delaware Corporation, to a 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 ("MyLexxus 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 ("Lexus Hong Kong").

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

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

In November 2002, NHTC incorporated Lexus International (Philippines) Inc., a corporation organized under the laws of the Philippines and a majority-owned subsidiary of NHTC ("Lexus Philippines").

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 February 1999, NHTC Holdings Inc. 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, tradenames, servicemarks, 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. ("GHA"), a Delaware corporation and wholly owned subsidiary of NHTC, and Ellon, Inc. ("Ellon"), a

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Delaware corporation and wholly-owned subsidiary of GHA, 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 2001. Both GHA and Ellon were dissolved in June 2001.

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 years ended December 31, 2002 and 2001 being decreased by approximately \$1,336,000 and \$1,155,000, 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 \$336,000 and \$416,000 for the years ended December 31, 2002 and 2001, respectively.

In connection with the 2003 annual audit, the Company reviewed its revenue cut-off as of the beginning of 2003. It was noted that approximately \$1,008,000 of sales originally recorded in 2002 were not actually shipped until early 2003. The restatement resulted in net sales for the year ended December 31, 2002 being decreased by \$1,008,000 and net sales for the three months ended March 31, 2003 being increased by the same amount. The restatement also resulted in distributor commissions for the year ended December 31, 2002 being decreased by \$459,000 and distributor commissions for the three months ended March 31, 2003 being increased by the same amount.

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The Company had not recorded reserves for distributor returns and refunds as of September 30, 2003 and for prior periods. Based upon analysis of the Company's historical returns and refund trends by country, it was determined that the reserves for returns and refunds for prior quarters were required and should be recorded. The restatement resulted in net sales for the years ended December 31, 2002 and 2001 being decreased by approximately \$350,000 and \$650,000, respectively, 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, 2002, the Company is now recognizing \$2,400,000 of gain on the sale of Kaire as Discontinued Operations and is reducing its Other Income by \$800,000. 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 \$300,000 was necessary for the year ended December 31, 2002 and 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 expense incurred in connection with the issuance of certain stock options (the "Options") granted in January 2001 and October 2002 to senior executive officers of the Company should be reported using variable accounting rather than the fixed accounting method because the Options contained a "cashless" exercise feature. A 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. Under variable accounting, changes in the market value of a company's shares will generally result in recording a charge or credit to stock based compensation expense. For the year ended December 31, 2002 and 2001, the restatement resulted in \$1,434,000 and \$120,000, respectively, 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):

<TABLE>

<CAPTION>

	Year Ended		Year Ended	
	December 31, 2002		December 31, 2001	
	As	As	As	As
	Previously	As	Previously	As
	Reported	Restated	Reported	Restated
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 39,662	\$ 36,968	\$ 24,794	\$ 22,989
Cost of sales	7,391	6,985	5,876	5,298
Gross profit	32,271	29,983	18,918	17,691
Operating expenses	28,770	29,745	17,636	17,756
Income from operations		3,501	238	1,282
Other income (expense)		601	(199)	741
Income (loss) from continuing operations before taxes	4,102	39	2,023	(34)
Income tax expense	--	300	--	210
Income (loss) before discontinued operations		4,102	(261)	2,023
Gain on discontinued operations, net		--	2,400	--
Net income (loss)	4,102	2,139	2,023	466
Preferred stock dividends	70	70	1,089	1,089
Net income (loss) available to common stockholders	\$ 4,032	\$ 2,069	\$ 934	\$ (623)
Basic income (loss) per share:				
Continuing operations	\$ 1.29	\$ (0.11)	\$ 0.70	\$ (0.98)
Discontinued operations	--	\$ 0.77	--	0.52
Net income (loss)	\$ 1.29	\$ 0.66	\$ 0.70	\$ (0.46)
Basic weighted common shares used		3,118	3,118	1,342
Diluted income per share:				
Continuing operations	\$ 1.24	\$ (0.11)	\$ 0.39	\$ (0.98)
Discontinued operations	--	0.77	--	0.52
Net income (loss)	\$ 1.24	\$ 0.66	\$ 0.39	\$ (0.46)
Diluted weighed common shares used		3,247	3,118	2,393

</TABLE>

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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 \$4,363,000 from the amounts previously reported for the year ended December 31, 2002. Net income available to stockholders decreased by approximately \$1,963,000 from the amounts previously reported. Restated basic and diluted income per share from continuing operations decreased by \$1.40 and \$1.35, respectively, from the amounts previously reported for the year ended December 31, 2002. Net income for basic and diluted income per share decreased by \$0.63 and \$0.58, respectively, from the amounts previously reported for the year ended December 31, 2002.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Natural Health Trends Corp. and all of its wholly and majority-owned subsidiaries, after the elimination of intercompany balances and transactions.

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 and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from these estimates.

Foreign Currency Translation

The assets and liabilities of NHTC and its subsidiaries are translated at the exchange rate prevailing at the balance sheet date. The income and expenses of NHTC and its subsidiaries are translated at the exchange rate 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.

Reclassifications

NHTC has reclassified certain expenses in its consolidated statements of operations for the years ended December 31, 2002 and 2001. These changes had no significant impact on previously reported results of operations or stockholders' equity.

Cash and Cash Equivalents

Cash and 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash equivalents, short-term investments and receivables.

NHTC maintains its cash in several bank accounts. Accounts in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. Some of NHTC's cash balances exceed the insured limits.

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Virtually all of Lexxus and eKaire product sales are generated through the Internet and utilize credit cards for payment. Credit is extended until credit card purchases have cleared the bank, which is on average 5 to 7 days. Credit losses, if any, have been provided for in the financial statements and are based on management's estimates. 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.

Accounts Receivable

Accounts receivable represent the lag time between credit card purchases and the settlement of the credit card funds into the bank. Therefore, the allowance for doubtful accounts is zero.

Inventories

Inventories consisting primarily of nutritional supplements and "quality of life" products and are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

Restricted Cash

NHTC is required to maintain two restricted cash accounts: a reserve with the credit card processing company and a reserve with a Canadian bank as security for a bank drafting process utilized by eKaire in the ordinary course of business. The primary purpose of the reserve with the credit card company is to provide for potential uncollectible amounts and chargebacks by Lexxus and eKaire credit card customers. The credit card processing company may periodically increase the restricted cash requirement. The amount on deposit is calculated at an average 2% of net sales over a rolling six month time period.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is computed for financial reporting purposes using the straight-line method over the estimated useful lives of the various assets.

Impairment of Long-Lived Assets

The Company 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. NHTC believes that no impairment exists at December 31, 2002.

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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.

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 \$3,499,000 as of December 31, 2002.

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

Income Taxes

Pursuant to Statement of Financial Accounting Standards No. 109 ("SFAS 109") "Accounting for Income Taxes", NHTC accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not.

Earnings Per Share

Statement of Financial Accounting Standards No. 128, ("SFAS 128") "Earnings Per Share", 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.

Accounting for Stock-Based Compensation

NHTC accounts for employee stock options using the method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and the associated interpretations. Generally, no expense is recognized to NHTC stock options because the options' exercise price is set at the stocks' fair market value on the date the option is granted.

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In accordance with Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," NHTC discloses the compensation cost based on the estimated fair value of the options at the grant dates.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations". SFAS 141 requires that any business combination initiated after June 30, 2001 be accounted for using the purchase method of accounting instead of the pooling of interests method of accounting. Additionally, SFAS 141 specifies that intangible assets acquired in a purchase method business combination must need to be recognized and reported apart from goodwill. The implementation of SFAS 141 did not have an impact on NHTC's consolidated financial statements as it had no business combinations during the year.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Accounting for Goodwill and Intangible Assets". SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment annually. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle. Statement 142 also requires that intangible assets with definite useful lives be amortized over their estimated useful lives to the estimated residual values, and reviewed for impairment in accordance with the FASB's 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" or SFAS 144 upon adoption. SFAS 142 is effective for the fiscal years beginning after December 15, 2001.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets.

This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying value less cost to sell. The Company adopted SFAS 144 on January 1, 2002 and it did not have any impact on the Company's consolidated financial statements.

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In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure." This statement amends SFAS 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain

disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements. The adoption of SFAS 148 as of December 31, 2002 had no effect on the Company's consolidated financial position or results of operations.

3. 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	\$ 403,265
Computers and peripherals	3	207,655
Software	3 to 5	99,227
Leasehold improvements	3 to 5	223,222

Property and equipment		\$ 933,369
Less: Accumulated depreciation		(234,451)

Property and equipment, net		\$ 698,918
		=====

4. NOTES PAYABLE

Notes Payable consisted of the following at December 31, 2002:

<TABLE>

<CAPTION>

Note Payable	Amount
-----	-----
<S> (i) Naline Thompson \$50,000 note payable, 12% interest	<C> \$ 50,000
Merrill Corp. \$145,496 note payable, 8% interest, due upon demand	\$145,496
Aloe Commodities International, Inc., non-interest bearing, due upon demand	\$ 46,000
(ii) Lightfoot	\$ 15,027
Life Dynamics, Inc. note payable, interest-free	\$ 20,000
(iii) Dr. Michael Jessen	\$100,000
General Note Payable non-interest bearing, due upon demand	\$ 25,000

Notes Payable	\$401,523
	=====

</TABLE>

(i) 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 \$5.00 per share for three years. The 2,000 shares were issued in December 2002.

(ii) Note due to Michael and Linda Lightfoot, bears interest at prime plus 1.75%, monthly payments are being made.

(iii) The Company redeemed 180 shares of Series F Preferred Stock in exchange for a \$100,000 cash issuance and \$120,000 promissory note. The Company is making monthly payments of \$10,000 until repaid in full.

5. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2002:

Debt Instrument	Amount
(i) Samantha Haimes, \$325,000, 10% interest	\$161,942
(ii) State of Texas, \$114,278, 7% interest	\$ 78,642
(iii) Robert L. Richards, interest-free	\$ 41,503

Total Debt	\$282,087
Less: Current Portion of Long-term Debt	\$204,337

Long-term Debt	\$ 77,750
	=====

(i) NHTC is making monthly payments of \$15,000 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.

The schedule of annual principal payments on debt for each of the five years in the period ended December 31, 2007 is as follows:

Date	Amount
2003	\$204,337
2004	\$ 42,396
2005	\$ 35,354
2006	\$ 0
2007 and thereafter	\$ 0

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6. STOCKHOLDERS' EQUITY

Common Stock

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

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.

Pursuant to the terms of the Series E Preferred Stock, if NHTC does not have an effective registration statement 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.

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.

As of December 31, 2002 there were no shares of Series E Preferred Stock outstanding.

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.

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.

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During the year ended December 31, 2002, NHTC had converted 1,201 shares of the Series F Preferred Stock into 610,995 shares of Common Stock.

As of December 31, 2002, there were no shares of Series F Preferred Stock outstanding.

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 into 2,799 shares of Common Stock.

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.

As of December 31, 2002, there were no shares of Series G Preferred Stock outstanding.

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 2002, these 50 shares of Series H Preferred Stock and \$5,666 of accrued dividends were converted into 37,739 shares of Common Stock.

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 November 2002, these 50 shares of Series H Preferred Stock and \$6,389 of accrued dividends were converted into

40,422 shares of Common Stock.

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. In September 2002, 25 shares of Series H Preferred Stock were converted into 23,087 shares of Common Stock. In November

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2002, 25 shares of Series H Preferred Stock and \$5,440 of accrued dividends were converted into 36,248 shares of Common Stock.

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.

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.

As of December 31, 2002, there were no shares of Series H Preferred Stock outstanding.

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.

Pursuant to the terms of the Series J Preferred, if NHTC does not have an effective registration statement 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.

In the year ended December 31, 2002, NHTC recorded an additional \$4,626 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.

During the year ended December 31, 2002, NHTC had converted 778 shares of Series J Preferred Stock into 1,025,397 shares of Common Stock.

As of December 31, 2002, there were 16 shares of Series J Preferred Stock outstanding.

Convertible Debentures

During 2002, NHTC converted approximately \$263,000 of its promissory notes, plus accrued interest of \$16,455 into 236,663 shares of Common Stock.

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Common Stock for Services and Acquisitions

In April 2002, NHTC issued 17,500 shares of Common Stock to Surrey Associates Ltd. for certain legal services.

In December 2002, NHTC issued 2,010 shares of Common Stock to an individual as an incentive for lending NHTC money.

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.

7. INCOME TAXES

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

	Years ended December 31,	
	2002	2001
Current tax expense (benefit):		
Federal	\$ 58,000	\$ 156,000
State	8,000	36,000
Foreign	234,000	18,000
	<u>\$ 300,000</u>	<u>\$ 210,000</u>

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, 2002, the Company had net deferred assets of approximately \$4.1 million which included deferred tax assets of approximately \$4.3 million comprised primarily of net operating loss carry forwards and deferred liabilities of approximately \$200,000 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

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net deferred tax assets at December 31, 2002, 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, 2002 of approximately \$12 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, 2002. 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,	
	2002	2001
Income tax computed at the US Federal statutory rate	\$ 501,000	\$ 29,000
Effect of permanent differences	6,000	101,000
Increase (decrease) in valuation allowance	(118,000)	52,000
Foreign taxes different than Federal rate	(94,000)	4,000
State income taxes, net of Federal benefit	5,000	24,000

Provision for income taxes	-----	-----
	300,000	\$ 210,000
	=====	=====

8. COMMITMENTS AND CONTINGENCIES

A. Office Leases

NHTC utilizes approximately 1,000 square feet of office space in Irving, Texas on an as needed basis, through an arrangement with Regus Business Centre, which provides business solutions for companies. NHTC pays a minimum annual rental fee of \$2,100. Lexxus 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 Lexxus is located in Hollister, Missouri where Lexxus 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 Lexxus 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.

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Kaire Australia, Kaire New Zealand, Lexxus Australia and Lexxus 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, Lexxus Taiwan entered into a 24-month agreement for 6,314 square feet of office space at a current rate of approximately \$75,000 per year.

In April 2002, Lexxus India entered into a 60-month agreement for 2,665 square feet of office space at a current rate of approximately \$12,000 per year.

In August 2002, Lexxus Hong Kong entered into a 36-month agreement for approximately 5,400 square feet of office space at a current rate of approximately \$140,000 per year.

In July 2002, Lexxus Singapore entered into a 36-month agreement for 4,155 square feet of office space at a current rate of approximately \$116,000 per year.

In November 2002, MyLexxus Europe entered into a 12-month agreement for 1,841 square feet of office space in Russia at a current rate of approximately \$22,000 per year. In October 2002, MyLexxus Europe also entered into a 12-month agreement for 1,582 square feet of office space in France at a current rate of \$22,000 per year.

In January 2003, Lexxus Philippines entered into a 24-month agreement for 6,641 square feet of office space at a current rate of approximately \$50,000 per year.

NHTC believes that such properties are suitable and adequate for the current operating needs. The table below shows the future minimum lease payments due under non-cancelable operating leases at December 31, 2002. Such payments total approximately \$1,325,000.

Year	\$
2003	629,000
2004	489,000
2005	172,000
2006	32,000
2007 and thereafter	3,000

B. Litigation

From time to time, NHTC is involved in legal proceedings incidental to the course of business. NHTC believes that pending actions, both individually and in the aggregate, will not have a material adverse effect on the financial condition, results of operations, cash flows or prospects. Management believes that adequate provision has been made for the resolution of such actions and

proceedings.

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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.

NHTC currently buys all of its Enzogenol TM from a single supplier, Enzo Nutraceuticals Ltd.

NHTC currently buys all its Alura(TM) from 40 J's, LLC.

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.

9. 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>

	Shares	Weighted Average Exercise Price: Stock Options	Exercisable	Weighted Average Exercise Price: Shares	Warrants	Exercisable
Outstanding at December 31, 2000	441	\$ 1,568.00	441	29,521	\$ 674.00	29,521
Granted	65,500	1.22	63,000	--	--	--
Cancelled	(441)	--	(441)	(29,521)	--	(29,521)
Outstanding at December 31, 2001	63,500	\$ 1.22	63,000	--	\$ --	--
Granted	1,260,000	1.05	1,179,996	--	--	--
Cancelled	--	--	--	--	--	--
Outstanding at December 31, 2002	1,323,500	\$ 1.06	1,243,496	--	\$ --	--

</TABLE>

The following table summarizes information about exercisable stock options and warrants at December 31, 2002:

<TABLE>
<CAPTION>

	Range of Exercise Price	Remaining Number Outstanding	Average Contractual Life	Average Exercise Price	Average Number Exercisable	Exercise Price
Options:	\$1.00 - \$5.00	1,323,500	2 -10	\$1.06	1,243,496	\$1.08

</TABLE>

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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, 2002 and 2001 respectively: annual dividends of \$0; expected volatility of 200% and 50% for 2002 and 2001, respectively; 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, 2002 and 2001 was \$.81 and \$.56, 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,	
	2002	2001
	As Restated	As Restated
Net income available to common shareholders	\$ 2,068,622	\$ (623,370)
Add: Stock-based employee compensation expense included in reported net income, net of tax effect	1,434,000	120,000
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax effect	(917,608)	(35,280)
Pro forma net income available to common stockholders	2,585,014	(538,650)
Basic income per share:		
As reported	\$ 0.66	(0.46)
Pro forma	\$ 0.83	(0.46)
Diluted income per share:		
As reported	\$ 0.66	(0.46)
Pro forma	\$ 0.83	(0.46)

10. 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 for 2002 and 2001 are approximately as follows:

	Sales to unaffiliated customers in 2002	Sales to unaffiliated customers in 2001	Long-lived assets at December 31, 2002	Long-lived assets at December 31, 2001
North America	\$13,452,000	\$20,894,000	\$ 481,000	\$ 725,000
Taiwan	5,579,000	--	341,000	--
Hong Kong	6,067,000	--	181,000	--
Russia	8,999,000	--	42,000	--
Other	2,871,000	2,094,000	249,000	55,000
Consolidated	\$36,968,000	\$22,988,000	\$ 1,294,000	\$ 780,000

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11. SUBSEQUENT EVENTS

In March 2003, in order to enhance the price of our Common Stock and to enable us to better use our capital stock to compensate management and motivate employees, as well as consideration for future acquisition transactions, our stockholders approved and we effected a 1-for-100 reverse stock split with respect to our outstanding shares of Common Stock. As a result, on March 19, 2003 the number of outstanding shares of Common Stock declined from 462,873,100 to 4,628,731 and the closing price per share increased from \$0.01 on March 18, 2003 to \$1.50 on March 19, 2003, as reported on the OTC Bulletin Board. In addition, the trading symbol for the shares of our Common Stock changed from "NHTC" to "NHLC".

As of January 31, 2003, we entered into a Database Purchase Agreement with NuEworld.com Commerce, Inc., ("NuEworld") and Lighthouse Marketing Corporation, our wholly-owned subsidiary ("Lighthouse"), pursuant to which Lighthouse purchased a database of distributors from NuEworld in exchange for the issuance of 360,000 shares of our Common Stock. NuEworld was in the business of marketing and selling a variety of products and services through its multi-level marketing distribution network.

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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.

<TABLE>

<CAPTION>

Signature	Title	Date
-----	----	----
<S>	<C>	<C>
/s/ MARK D. WOODBURN	President, Chief Financial Officer and Director	April 12, 2004

Mark D. Woodburn		

/s/ TERRY LACORE	Director	April 12, 2004

Terry LaCore		

Terry LaCore

</TABLE>

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

Exhibit 99.1

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

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.