

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): March 21, 2005

NATURAL HEALTH TRENDS CORP.
(Exact Name of registrant as specified in its charter)

Florida 0-26272 59-2705336
(State or other jurisdiction (Commission File Number) (IRS Employer
of incorporation) Identification No.)

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

Registrant's telephone number, including area code: (972) 241-4080

Former Name or Former Address, if Changed Since Last Report: Not applicable

Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrant under any of the
following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17
CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17
CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act (17 CFR 240.13e-4(c))

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On March 23, 2005, Natural Health Trends Corp. (the "Company") issued a press
release announcing its financial results for the fourth quarter of 2004 and for
the year ended December 31, 2004. A copy of the press release is furnished as
Exhibit 99.1 to this report and is incorporated herein by reference.

The information in this Item, including the Exhibit 99.1 attached hereto, is
being furnished and shall not be deemed "filed" for the purposes of Section 18
of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or
otherwise subject to the liabilities of that Section. The information in this
report shall not be incorporated by reference into any filing under the
Securities Act of 1933, or the Exchange Act, except as otherwise expressly
stated in such filing.

ITEM 4.02 NON-RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED AUDIT REPORT OR COMPLETED INTERIM REVIEW.

During its review of its financial statements for the quarter ended March 31, 2004, the Company learned that commission and transportation-related expenses incurred as of December 31, 2003 were under-accrued by approximately \$640,000 (on a pre-tax basis) for the quarter and year ended December 31, 2003. Adjusting entries of approximately \$640,000 were included as expenses in the financial statements for the quarter ended March 31, 2004.

At that time, the Company concluded that the error was not material, and therefore, did not warrant a restatement of the 2003 financial statements. Based upon the Company's pre-tax income of approximately \$4.0 million for the first quarter of 2004 combined with the Company's historical sales and net income growth rates, the Company believed that the recording of \$640,000 of pre-tax expenses during the first quarter of 2004 would not have a material effect on the Company's net income for the 2004 fiscal year.

However, while sales continued to grow significantly, net income for the 2004 fiscal year declined substantially. As a consequence, the adjusting entries made in the first quarter of 2004 are now considered by management to materially affect the Company's net income for fiscal 2004.

During its review of its financial statements for the year ended December 31, 2004, the Company discovered that certain revenues not earned until 2004 were improperly recorded as revenue by its Eastern European business, KGC Networks Ptd. Ltd., for the year ended December 31, 2003. The amount of revenues that was over-stated for the 2003 fiscal year was approximately \$310,000.

On March 21, 2005, the Company and its Audit Committee determined that the inclusion of the aforementioned two items in the financial statements for the quarter ended March 31, 2004 would materially affect the Company's net income for the year ended December 31, 2004, and the Company believes that an amendment to its financial statements for the year ended December 31, 2003 is warranted.

The restatement of the adjustments into the financial statements for the year ended December 31, 2003 will reduce the Company's revenue by approximately \$310,000, increase cost of goods sold by approximately \$180,000, increase distributor commission expense by approximately \$460,000, reduce minority interest expense by approximately \$300,000, and reduce after-tax net income by approximately \$650,000 for the quarter as well as the year ended December 31, 2003.

For the quarter ended March 31, 2004, the restatement will increase the Company's revenue by approximately \$310,000, reduce cost of goods sold by approximately \$180,000, reduce distributor commission expense by approximately \$460,000, increase minority interest expense by approximately \$300,000, and increase after-tax net income by approximately \$650,000 for the quarter ended March 31, 2004.

The Company, after consultation with its Audit Committee, concluded that the consolidated financial statements for the fourth quarter of 2004 and the year ended December 31, 2003 as well as the first quarter of 2004 should no longer be relied upon, including the consolidated financial statements and other financial information in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003 and the Quarterly Report on Form 10-Q for the first quarter ended March 31, 2004. Although the financial statements for the three month periods ended June 30, 2004 and September 30, 2004 are unaffected by this error, the consolidated financial statements for the second and third quarters of 2004 include inaccurate information on a year to date basis because they include the erroneous information from the first quarter of 2004 which financial statements should not be relied upon.

As of today, the Company plans to file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2004 by March 31, 2005, which will include the restated results for the year ending December 31, 2003. The Company also intends to file in the near future an amended Annual Report on Form 10-KSB for the year ended December 31, 2003, and amended Quarterly Reports on Form 10-Q for the first three quarters of 2004.

Certain statements in this Current Report on Form 8-K, including statements about our plans, objectives, intentions, and expectations are "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as

amended. Forward-looking statements are based on the opinions and estimates of management at the time the statements are made and are subject to known and unknown risks and uncertainties and inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. The Company's actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risk that additional "material weaknesses" or other internal control deficiencies with the meaning of Section 404 of the Sarbanes-Oxley Act of 2002 are identified, the risk that additional accounting errors are identified, and the risk that the Company is required to restate its prior financial statements for periods other than the fourth quarter of 2003, the fiscal year ended December 31, 2003 and the first quarter ended March 31, 2004.

Readers are cautioned not to place undue reliance upon these forward-looking statements, which speak only as the date hereof.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

| Exhibit Number | Description |
|-------------------|---|
| 99.1 | Press Release of Natural Health Trends Corp., dated March 23, 2005, reporting financial results for the fourth quarter of 2004 and for the year ended December 31, 2004 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Natural Health Trends Corp.
(Registrant)

Date: March 23, 2005

By: /s/ MARK D. WOODBURN

Mark D. Woodburn
President

NATURAL HEALTH TRENDS CORP. ANNOUNCES FISCAL 2004 RESULTS

NET SALES UP 113%
ACTIVE DISTRIBUTORS UP 75%

DALLAS, TX, March 23, 2005 -- Natural Health Trends Corp. (NASDAQ NMS: BHIP), an international direct-selling company, today announced its financial results for the fourth quarter and year ended December 31, 2004.

Fourth quarter net sales in 2004 were approximately \$36.3 million, up 61% from \$22.6 million for the comparable period a year ago. The growth in sales was attributable to an increase in the number of distributors. As of December 31, 2004, the operating subsidiaries of Natural Health Trends Corp. had approximately 133,000 active distributors, up from 76,000 at the end of 2003.

Gross profit margin for the fourth quarter was \$29.0 million, or 79.8%, versus \$17.1 million, or 75.5% a year ago. The improvement can be mainly attributed to the elimination of commissions paid to Marketvision Communications Corp., the Company's Internet-based distributor system service provider, which was acquired by the Company on March 31, 2004.

For the fourth quarter, the Company recorded a net loss of approximately \$802,000, or a loss of \$0.12 per fully diluted share. In the fourth quarter of 2003, the Company had a net income of \$1.1 million, or \$0.19 per fully diluted share. The decrease in net income was due to higher commissions paid to distributors and selling, general and administrative expenses, or SG&A, partly offset by the margin flow-through of the higher volume.

Mark Woodburn, President of Natural Health Trends Corp., said, "The fourth quarter of 2004 capped off a very respectable year for Natural Health Trends Corp. We are very pleased with our top-line growth for both the quarter and the year. We made significant investment in building our markets and the pay-off is not immediate. We are obviously less than satisfied with the bottom line results and are working to ensure that 2005 shows improvement in this area. Still we finished 2004 with over \$22 million in cash and working capital of \$17.5 million. This gives us liquidity to rapidly develop newly entered markets. We also had \$9.6 million in deferred revenue as of December 31, 2004. Approximately \$4.7 million of the deferred revenue was related to membership enrollment, which when recognized as revenue has no cost of sales or commission expenses associated with it. The \$4.9 million was for product orders taken but unshipped as of year end. When we do ship these orders and recognize them as revenue, related product costs and applicable commissions will be expensed."

For the twelve months ended December 31, 2004, net sales rose 113% to approximately \$133.2 million compared to \$62.6 million for fiscal year 2003. Two-thirds of this rise was attributable to the increased number of active Lexxus distributors while the balance represented higher sales generated per distributor.

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Gross profit was approximately \$103.9 million or 78.0% of net sales for the twelve months ended December 31, 2004, compared with approximately \$48.9 million or 78.1% of net sales for the twelve months ended December 31, 2003.

Net income was approximately \$1.2 million, or \$0.18 per fully diluted share, for the twelve months ended December 31, 2004 compared to net income of approximately \$4.7 million, or \$0.83 per fully diluted share, for the preceding year. The decrease in net income for the full year is due to higher distributor commissions as a percentage of sales as well as increased SG&A spending, partly offset by the margin flow-through on greater sales.

As disclosed in a Form 8-K filed on March 23, 2005, the financial statements of the fourth quarter of 2003 and the first quarter of 2004 have been revised to address certain 2003 revenue and expense cut-off issues. With the revisions, the revenue in the fourth quarter of 2003 was reduced by approximately \$310,000, and the net income was reduced by approximately \$650,000. The revenue and net income of the first quarter of 2004 were increased by \$310,000 and \$650,000 respectively.

Chris Sharng, CFO of Natural Health Trends Corp., said, "The increase in SG&A expenses for the fourth quarter as well as the full year was driven by our increased marketing and promotional activities world-wide, higher credit card fees, increased audit and legal costs, higher personnel costs, special expenses the Company incurred as a result of the negative television program aired in China in April 2004 and the costs associated with building new markets in China, Mexico and Japan. We also had more depreciation and amortization due to the Marketvision acquisition."

Woodburn concluded, "During 2004, we began to devote more of our resources to building a solid infrastructure upon which we can continue to drive our business forward. With an experienced management team now in place, combined with strong distributor growth in 2004, we are optimistic about our performance in the coming year. We expect to start generating revenue from the Japanese and Mexican markets, the world's 2nd and 4th largest direct-selling markets, in the next few months. We also foresee continuing to increase our reach inside our established markets. New products are in the pipeline which we hope will have a significant positive impact on our revenues before the end of the year."

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 -- Forward-looking statements in this release do not constitute guarantees of future performance. Such forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those anticipated. Such statements may relate, among other things, to our relationship with our distributors; our need to continually recruit new distributors; our internal controls and accounting methods that may require further modification; regulatory matters governing our products and network marketing system; our ability to recruit and maintain key management; adverse publicity associated with our products or direct selling organizations; product liability claims; our reliance on outside manufacturers; risks associated with operating internationally, including foreign exchange risks; product concentration; dependence on increased penetration of existing markets; the competitive nature of our business; and our ability to generate sufficient cash to operate and expand our business. For a more detailed discussion of the risks and uncertainties of our business, please refer to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission. We assume no obligation to update any forward-looking information contained in this press release or with respect to the announcements described herein.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands, Except Share Data)

<TABLE>
<CAPTION>

| | December 31, | |
|-----------------------------|--------------|-----------|
| | 2003 | 2004 |
| | ----- | |
| | As Restated | |
| | <C> | <C> |
| ASSETS | | |
| <S> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,133 | \$ 22,324 |
| Restricted cash | 1,363 | 2,395 |
| Accounts receivable | 239 | 209 |
| Inventories, net | 3,580 | 13,991 |
| Other current assets | 1,646 | 2,096 |
| | ----- | ----- |
| Total current assets | 17,961 | 41,015 |
| Property and equipment, net | 883 | 579 |
| Goodwill | 208 | 14,145 |
| Intangible assets, net | 509 | 5,474 |
| Deferred tax assets | -- | 434 |
| Other assets | 779 | 458 |
| | ----- | ----- |
| Total assets | \$ 20,340 | \$ 62,105 |

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LIABILITIES AND STOCKHOLDERS' EQUITY

| | | | |
|---|----|-----------|-----------|
| Current liabilities: | | | |
| Accounts payable | \$ | 3,820 | \$ 2,248 |
| Income taxes payable | | 1,443 | 1,797 |
| Accrued distributor commissions | | 1,027 | 4,259 |
| Other accrued expenses | | 1,012 | 3,250 |
| Deferred revenue | | 6,943 | 9,551 |
| Current portion of debt | | 168 | 796 |
| Other current liabilities | | 659 | 1,595 |
| | | ----- | ----- |
| Total current liabilities | | 15,072 | 23,496 |
| Debt | | 31 | 22 |
| | | ----- | ----- |
| Total liabilities | | 15,103 | 23,518 |
| Commitments and contingencies | | | |
| Minority interest | | 413 | 598 |
| Mezzanine common stock | | -- | 960 |
| Stockholders' equity: | | | |
| Preferred stock, \$1,000 par value; 1,500,000 shares authorized; none issued and outstanding | | -- | -- |
| Common stock, \$0.001 par value; 500,000,000 shares authorized, 4,656,463 and 6,819,667 shares issued and outstanding at December 31, 2003 and 2004, respectively | | 4 | 7 |
| Additional paid-in capital | | 34,007 | 64,933 |
| Accumulated deficit | | (29,040) | (27,799) |
| Accumulated other comprehensive loss: | | | |
| Foreign currency translation adjustment | | (147) | (112) |
| | | ----- | ----- |
| Total stockholders' equity | | 4,824 | 37,029 |
| | | ----- | ----- |
| Total liabilities and stockholders' equity | | \$ 20,340 | \$ 62,105 |
| | | ===== | ===== |

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

| | | |
|---|----------------------------|-----------|
| | Quarter Ended December 31, | |
| | ----- | ----- |
| | 2003 | 2004 |
| | ----- | ----- |
| | As Restated | |
| | <C> | <C> |
| <S> | | |
| Net sales | \$ 22,612 | \$ 36,312 |
| Cost of sales | 5,550 | 7,334 |
| | ----- | ----- |
| Gross profit | 17,062 | 28,978 |
| Operating expenses: | | |
| Distributor commissions | 11,057 | 18,834 |
| Selling, general and administrative expenses | 5,464 | 10,652 |
| | ----- | ----- |
| Total operating expenses | 16,521 | 29,486 |
| | ----- | ----- |
| Income (loss) from operations | 541 | (508) |
| Other income, net | 191 | 258 |
| | ----- | ----- |
| Income (loss) before income taxes and minority interest | 732 | (250) |
| Income tax (provision) benefit | 340 | (553) |
| Minority interest | 60 | 1 |
| | ----- | ----- |
| Net income (loss) | \$ 1,132 | \$ (802) |
| | ===== | ===== |

Income (loss) per common share:

| | | |
|--|---------|-----------|
| Basic | \$ 0.24 | \$ (0.12) |
| Diluted | \$ 0.19 | \$ (0.12) |
| Weighted-average number of shares outstanding: | | |
| Basic | 4,656 | 6,745 |
| Diluted | 5,812 | 6,745 |

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

| | Year Ended December 31, | |
|--|-------------------------|------------|
| | 2003 | 2004 |
| | As Restated | |
| | <C> | <C> |
| Net sales | \$ 62,576 | \$ 133,225 |
| Cost of sales | 13,676 | 29,321 |
| Gross profit | 48,900 | 103,904 |
| Operating expenses: | | |
| Distributor commissions | 27,555 | 68,579 |
| Selling, general and administrative expenses | 15,770 | 33,102 |
| Total operating expenses | 43,325 | 101,681 |
| Income from operations | 5,575 | 2,223 |
| Other income (expense), net | (1) | 137 |
| Income before income taxes and minority interest | 5,574 | 2,360 |
| Income tax provision | (860) | (663) |
| Minority interest | 14 | (456) |
| Net income | 4,728 | 1,241 |
| Preferred stock dividends | 1 | -- |
| Net income available to common stockholders | \$ 4,727 | \$ 1,241 |
| Income per common share: | | |
| Basic | \$ 1.03 | \$ 0.22 |
| Diluted | \$ 0.83 | \$ 0.18 |
| Weighted-average number of shares outstanding: | | |
| Basic | 4,609 | 5,580 |
| Diluted | 5,688 | 6,822 |

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