FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For Quarter Ended March 31, 2001

OR

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

For the transition period from to

Commission file number: 0-25238

NATURAL HEALTH TRENDS CORP.
(Exact Name of Small Business Issuer as Specified in its Charter)

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

5605 N. MacArthur Boulevard, 11 Floor
Irving, Texas 75038
(Address of Principal Executive Office) (Zip Code)

(972) 819-2035
(Issuer's telephone number including area code)

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

Yes X No

The number of shares of issuer's Common Stock, $.001 par value, outstanding as of March 31, 2000 was 49,440,319 shares.

NATURAL HEALTH TRENDS CORP.

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NATURAL HEALTH TRENDS CORP.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 2001
ASSETS	
Current Assets:	
Cash	$ 528,987
Restricted Cash	66,944
Account Receivables	46,528
Inventory	342,887
Prepaid expenses and other current assets	8,968
Total Current Assets	994,313
Property and Equipment, net	39,418
Long term Prepaids	21,839
Deposits and Other Assets	12,800
Total Assets	$ 1,068,370
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities:	
Checks written in excess of deposits	$ 393,169
Accounts Payable	3,446,950

Accrued Expenses	1,043,896
Accrued Bonus Payable	164,250
Accrued Payroll Payable	821,568
Notes Payable	455,940
Notes Payable related parties	195,987
Current portion of long term debt	44,111
Deferred Revenue	66,413
Total Current Liabilities	6,632,283
Capital Lease Obligations, net of current portion	2,479
Total Liabilities	6,634,762
Stockholders' Deficit:	
Preferred Stock	5,343,509
Common Stock	49,440
Additional Paid in Capital	24,238,782
Accumulated Deficit	(35,197,677)
Cumulative Currency translation adjustment	(445)
Total Stockholders' Deficit	(5,566,392)
Total Liabilities and Stockholders' Deficit	$ 1,068,370

See Notes to Consolidated Financial Statements.

NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended March 31, 2001	2000
Revenues	$ 3,185,848	$ 3,186,218
Cost of Sales	639,277	682,197
Gross Profit	2,546,571	2,504,021
Distributor commissions	1,666,894	1,295,905
Selling, general and administrative expenses	743,655	1,234,110
Operating income (loss)	136,022	(25,994)
Gain (loss) on foreign exchange	(44)	2,641
Other (expense)	(2,980)	26,149
Interest (net)	(12,416)	(6,914)
Net income (loss)	120,581	(4,118)
Preferred stock dividends	106,043	625,103
Net income (loss) to common shareholders	$ 14,538	$ (629,221)
Basic income (loss) per common share	$ 0.00	$ (0.08)
Basic weighted common shares used	27,804,656	8,220,350
Diluted income (loss) per common share	$ 0.00	$ (0.00)

	2001	2000
Diluted weighted common shares used	585,278,183	8,220,350

See Notes to Consolidated Financial Statements.

NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 120,581	$ (4,118)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,631	85,346
Issuance of common stock in settlement of interest	36,758	46
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	5,240	(428,607)
Increase in inventories	(145,818)	(269,915)
(Increase) decrease in prepaid expenses	(13,215)	50,834
(Increase) decrease in deposits and other assets	74,239	(75,949)
Increase (decrease) in accounts payable	400,183	(47,439)
Increase in accrued expenses	431,630	331,833
Decrease in deferred revenue	(53,001)	(527,831)
Increase (decrease) in other current liabilities	(284,875)	59,848
Total Adjustments	488,773	(821,834)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	609,354	(825,952)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(19,490)	-
Decrease in cash overdraft	(206,999)	-
Decrease in restricted cash	5,890	32,838
NET CASH USED IN INVESTING ACTIVITIES	(220,599)	32,838
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from preferred stock	-	937,500
Proceeds from notes payable and long-term debt	50,000	36,566
Payments of notes payable and long-term debt	(18,187)	(339,521)
NET CASH PROVIDED BY FINANCING ACTIVITIES	31,813	634,545
NET INCREASE (DECREASE) IN CASH	420,568	(158,569)
CASH, BEGINNING OF PERIOD	108,419	434,063
CASH, END OF PERIOD	$ 528,987	$ 275,494

See Notes to Consolidated Financial Statements.

NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2001

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Natural Health Trends Corp. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) of financial position and results of operations for the interim periods have been presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the three month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual report on Form 10-KSB for the year ended December 31, 2000.

The Company had a working capital deficiency of approximately $5,638,000 for the quarter ended March 31, 2000 and $5,865,000 for the year ended December 31, 2000, and we recorded a net loss of approximately $11,947,000 for the year ended December 31, 2000 that raises substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent on its ability to obtain additional debt or equity financing and to generate profits from operations.

2. During the first quarter of 2001, the Company received notice of conversion on of Series E, F, G, and H Preferred Stock. The Company issued 33,478,350 shares of common stock in settlement of the shares of Preferred Stock and the accrued dividends thereon. The following table sets forth the conversions and the stock price thereof as of the date of conversion.

Preferred stock Series converted	Conversion Date	Preferred Stock Face Value	Common stock conversion price
E	4-Jan-01	5,236	.01005
E	18-Jan-01	3,898	.0075
E	22-Jan-01	3,974	.00765
E	23-Jan-01	5,452	.0105
E	24-Jan-01	7,476	.0144
E	8-Feb-01	6,990	.0129
E	17-Feb-01	12,856	.01194
E	25-Mar-01	23,008	.010965
E	12-Mar-01	5,800	.01125
F	17-Feb-01	172,118	.02359
F	25-Mar-01	30,000	.019
G	17-Jan-01	16,000	.0095
G	27-Feb-01	13,000	.01425

G	26-Feb-01	21,000	.0114
G	25-Mar-01	14,400	.0114
G	31-Mar-01	17,000	.01235
H	5-Feb-01	19,132	.0125
H	31-Mar-01	31,561	.01000

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

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

Forward Looking Statements

When used in Form 10-QSB and in future filings by the Company with the Securities and Exchange Commission, the words "will likely result", "the Company expects", "will continue", "is anticipated", "estimated", "projected", "outlook" or similar expressions are intended to identify "forward- looking statements" within the meaning of the Private Securities Litigation Act of 1995. The Company wishes to caution readers not to place undue reliance on such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Overview

Prior to August 1997, the Company's operations consisted of the operations of Natural Health Care Centers, and vocational schools. Upon the acquisition of Global Health Alternatives, Inc. ("GHA") on July 23, 1997, the Company commenced marketing and distributing a line of natural, over-the-counter homeopathic pharmaceutical products. In February 1999, the Company acquired the assets of Kaire International, Inc. and commenced marketing and distributing a line of natural, herbal based dietary supplements and personal care products through an established network marketing system. The Company discontinued the operations of the natural health care centers during the third quarter of 1997 and sold the vocational schools in August 1998. During the fourth quarter of 1999, the Company ceased GHA activity and in March 2001 filed for Chapter 7 Bankruptcy in U.S. Federal Court, North Dallas. In January 2001 we launched Lexxus International, Inc., a majority owned subsidiary and commenced marketing and distributing a line of woman's topical cream that assists in sexual stimulation.

Three Months Ended March 31, 2001 Compared To The Three Months Ended March 31, 2000.

Net Sales. Net sales were approximately $3,186,000 for the three months ended March 31, 2001 and March 31, 2000. Sales for eKaire.com and Kaire Nutraceuticals declined approximately $1,800,000 which was offset by sales of Lexxus International of approximately $1,800,000.

Cost of Goods Sold. Cost of goods sold for the three months ended March 31, 2001 was approximately $639,000 or 20.1% of net sales. Cost of goods sold for the three months ended March 31, 2000 was approximately $682,000 or 21.4% of net sales. The total cost of goods sold decreased by approximately $43,000 or 6.3% due to lower costs associated with the Lexxus product line.

Gross Profit. Gross profit increased from approximately $2,504,000 in the three months ended March 31, 2000 to approximately $2,547,000 in the three months ended March 31, 2001. The increase was approximately $43,000 or 1.7%. The increase was attributable to higher sales volume in our Lexxus subsidiary and its lower cost of goods sold.

Commissions. Associate commissions were approximately $1,667,000 or 52.3% of net sales in the three months ended March 31, 2001 compared to approximately $1,296,000 or 40.7% of net sales for the three months ended March

31, 2000. This increase is attributable to the Lexxus compensation plan.

Selling, General and Administrative Expenses. Selling, general and administrative costs decreased from approximately $1,234,000 or 38.7% of sales

in the three months ended March 31, 2000 to approximately $744,000 or 23.3% of sales in the three months ended March 31, 2001, a decrease of approximately $490,000 or 39.7%. The decrease is due primarily to eKaire's reduction of expenses and Lexxus sharing overhead in its start-up phase.

Income (loss)from Operations. Operating income increased from a loss of approximately $26,000 in the three months ended March 31, 2000 to operating income of approximately $136,000 in the three months ended March 31, 2001.

Gain (Loss) on Foreign Exchange. The Company operates KNI's subsidiaries in Australia, New Zealand, Trinidad and Tobago. During the three months ended March 31, 2001, the net loss on foreign exchange adjustments was approximately $44 compared to a net gain of approximately $3,000 in the three months ended March 31, 2000.

Other Expenses. Other expenses of approximately $19,000 or 0.6% of sales in the three months ended March 31, 2000 decreased to income of approximately $15,000 or 0.5% of sales in the three months ended March 31, 2001, a change of approximately $34,000.

Income Taxes. Income tax benefits were not reflected in either period. The anticipated benefits of utilizing net operating losses against future profits were not recognized in the three months ended March 31, 2001 or the three months ended March 31, 2000 under the provisions of Financial Standards Board Statement of Financial Accounting Standards No. 109 (Accounting for Income Taxes), utilizing its loss carryforwards as a component of income tax expense. A valuation allowance equal to the net deferred tax asset has been recorded, as management of the Company has not been able to determine that it is more likely than not that the deferred tax assets will be realized.

Net Income (Loss). Net income from operations was approximately $121,000 in the three months ended March 31, 2001 or 3.8% of net sales as compared to a loss of approximately $4,000 or .1% of net sales in the three months ended March 31, 2000.

Liquidity and Capital Resources:

We have funded our working capital and capital expenditure requirements primarily from cash provided through borrowings from institutions and individuals, and from the sale of our securities in private placements. Our other ongoing source of cash receipts has been from the sale of eKaire.com and Lexxus products.

In February 1998, we issued $300,000 face amount of Series B Preferred Stock, net of expenses of $38,500. The Series B Preferred Stock has been converted into 541,330 shares of common stock.

In April 1998, we issued $4,000,000 face amount of Series C Preferred Stock, net of expenses of $492,500 from the proceeds raised, we paid $2,500,000 to retire $1,568,407 face value of Series A Preferred Stock outstanding. The Series C Preferred Stock has been converted into 3,608,296 shares of common stock.

In July 1998, we issued $75,000 face amount of Series D Preferred Stock, which was redeemed in August 1998 for $91,291.

In August 1998, we issued $1,650,000 face amount of Series E Preferred Stock, net of expenses of $210,500. The Series E Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock. In September 1999, $610,000 of face amount of Series E Preferred Stock was converted into 603,130 shares of common stock.

In August 1998, we sold our three vocational schools and certain related businesses for $1,778,333 and other consideration. From the proceeds from the sale of the schools, we paid $1,030,309 to retire the remaining $631,593 face value of Series A Preferred Stock then outstanding, and $91,291 to redeem all of the Series D Preferred Stock outstanding. The remaining proceeds were used to pay down payables.

In March and April 1999, we issued $1,400,000 of Series H Preferred Stock. The Series H Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock. In the first quarter of 2001, 50,693 shares of Series H Preferred Stock were converted into 5,425,292 shares of the Company's common stock.

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

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

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

In November 1999, we borrowed $70,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion. This note was repaid with interest in March 2000.

During 2000, the Company has not made its payroll tax deposits with the Internal Revenue Service ("IRS") and the various state taxing authorities on a timely basis. The Company has filed all required payroll tax returns and is currently negotiating a payment plan with the IRS. As of March 31, 2001, the Company owes approximately $816,000 of delinquent payroll tax liabilities including interest and penalties. The Company's failure to pay its delinquent payroll tax liabilities could result in tax liens being filed by various taxing authorities.

During 1999 and 2000, the Company did not make its sales tax deposits with the various sales tax authorities on a timely basis. The Company has filed all required sales tax returns. As of March 31, 2001, the Company owed approximately $287,000 in current and delinquent sales taxes which is included in other current liabilities. The Company's failure to pay its delinquent sales taxes could result in tax liens being filed by various taxing authorities.

In March 2000, we sold 1,000 shares of Series J Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $1,000,000. The preferred stock pays a dividend at the rate of 10% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 70% of the average closing bid price of the common stock for the lowest three trading days during the twenty day period immediately preceding the date on which the Company receives notice of conversion from a holder. In connection with the offering of the Series J

Preferred Stock, the Company issued warrants to purchase 141,907 shares of common stock at an exercise price of $1.41 per share.

At March 31, 2001, our ratio of current assets to current liabilities was .15 to 1.0 and we had a working capital deficit of approximately $5,638,000.

Cash provided by operations for the three months ended March 31, 2001 was approximately $609,000. Cash used in investing activities during the period was approximately $221,000, which primarily relates to the decrease of our cash overdraft at eKaire. Cash provided by financing activities during the period was approximately $32,000, primarily from a private borrowing of approximately $50,000 and partially offset by the repayment of certain notes payable of approximately $18,000. Total cash increased by approximately $421,000 during the period.

Our independent auditors' report on our consolidated financial statements stated as of December 31, 2000 due to net losses and a working capital deficit, there is substantial doubt about the company's ability to continue as a going concern. The Company requires additional financing to continue operations of which there can be no assurance. Management has revised its business plan of marketing development and support for Global Health's products, licensing rights to sell its products. We believe that the Company will require approximately $500,000, primarily to finance operations for the next 12 months assuming that we do not have to satisfy certain existing obligations. The Company intends to raise such additional financing through additional debt and equity financings, of which there can be no assurance and for which there are no commitments or definitive agreements. We have filed for Chapter 7 Bankruptcy on behalf of Global Health. There can be no assurance that we will be able to achieve satisfactory settlements with our creditors or secure such additional financing. The failure of Natural Health Trends to achieve satisfactory settlements with our creditors and secure additional financing would have a material adverse effect on our business, prospects, financial conditions and results of operations and we may have to curtail or cease operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds

The Company received 16 notices of conversion on its Series E Preferred Stock during the three months ended March 31, 2001 and redeemed $74,690, face value in exchange for 7,370,616 shares of the Company's common stock.

The Company received 5 notices of conversion on its Series F Preferred Stock during the three months ended March 31, 2001 and redeemed $202,118, face value in exchange for 11,124,011 shares of its common stock.

The Company received 10 notices of conversion on its Series G Preferred Stock during the three months ended March 31, 2001 and redeemed $81,400, face value in exchange for 7,932,056 shares of its common stock.

The Company received 2 notices of conversion on its Series H Preferred Stock during the three months ended March 31, 2001 and redeemed $50,693, face value in exchange for 5,425,292 shares of its common stock.

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

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

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, thereunto duly authorized.

NATURAL HEALTH TRENDS CORP.

By:/s/Mark D. Woodburn

Mark D. Woodburn
President

By:/s/Robin T. Phelan-Tuggle

Robin T. Phelan-Tuggle
Secretary

Date: May 29, 2001

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