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*FOR IMMEDIATE RELEASE*

## Chai-Na-Ta Corp. Reports 2011 Second Quarter Results

RICHMOND, BRITISH COLUMBIA – August 25, 2011 – Chai-Na-Ta Corp. (OTCBB: "CCCCFF"), one of the world's largest suppliers of North American ginseng, today announced second quarter 2011 net earnings of \$1.5 million, or \$0.05 per basic share, compared to a net loss of \$113,000 in 2010, or less than \$0.01 per basic share.

Revenue increased to \$3.8 million in the second quarter of 2011 from \$2.0 million in the prior year period. The Company has a gross profit of 47% of sales in the 2011 second quarter compared to a gross loss of 4% in the same period last year.

"We sold 80% of the inventory from our 2010 harvest by June 30, 2011 with the entire remaining inventory committed to customers," said Derek Zen, Chairman of the Company. "Chai-Na-Ta's average selling price increased to \$19.64 per pound in the first six months of 2011 from \$7.12 per pound in 2010."

"The Company is on track to cease operations in their current form after completing the harvest in 2011 and selling of the inventory from that harvest in 2012." Mr. Zen continued, "In the next four months, the Company will focus its attention on maximizing the yield and quality of the crops from its final harvest in Ontario in 2011."

In the six months ended June 30, 2011, revenue increased to \$7.3 million from \$2.8 million in the first half of 2010. Net earnings in the first half of 2011 were \$2.7 million or \$0.08 per basic share, compared to net loss of \$210,000 or \$0.01 per basic share in the same period last year.

The working capital position as at June 30, 2011 was a surplus of \$8.6 million compared to a surplus of \$8.7 million as at December 31, 2010.

Chai-Na-Ta Corp., based in Richmond, British Columbia, is one of the world's largest suppliers of North American ginseng. The Company farms, processes and distributes North American ginseng as bulk root.

This news release contains forward-looking statements that reflect the Company's expectations regarding future events. These forward-looking statements involve risks and uncertainties, and actual events could differ materially from those projected. Such risks and uncertainties include, but are not limited to, general business conditions and other risks as outlined in the Company's periodic filings, Annual Financial Statements and Form 20-F.

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**FOR FURTHER INFORMATION PLEASE CONTACT:**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

### For the three and six month periods ended June 30, 2011

*The following discussion and analysis reviews the operating results, financial position and liquidity, risks and industry trends affecting the financial results of Chai-Na-Ta Corp. Additional comments relate to changes made to operations since the year-end and their expected financial impact.*

*This commentary has been prepared as of August 24, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements as at June 30, 2011 and for the three and six month periods ended June 30, 2011 and 2010 and their accompanying notes prepared in accordance with United States generally accepted accounting principles ("US GAAP"). The Company began reporting in accordance with US GAAP on January 1, 2011 and formerly was reporting in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The discussion and analysis should also be read in conjunction with the 2010 annual audited financial statements and MD&A which can be found on the Company's website. The 2010 annual audited financial statements were prepared in accordance with Canadian GAAP and included a discussion of the differences between Canadian GAAP and US GAAP in Note 20. Upon reporting in accordance US GAAP, certain historic equity related transactions were classified differently compared to Canadian GAAP which changed the reported balances of share capital, contributed surplus and deficit but, in aggregate, did not affect total shareholders' equity. Amounts are expressed in Canadian dollars, unless otherwise specified.*

*Some of the statements made in this analysis are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives, or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions by their very nature, they involve inherent risks and uncertainties. The forecasts and projections that make up the forward-looking information are based on assumptions, which include, but are not limited to, no significant operational disruptions or environmental liability as a result of a catastrophic event or environmental upset; the competitiveness of ginseng pricing; access to capital at borrowing rates acceptable to the Company; interest rates; and exchange rates. Actual results in each case could differ materially from those currently anticipated in such statements.*

### OVERVIEW

Chai-Na-Ta Corp. is one of the world's largest suppliers of North American ginseng and is headquartered in Richmond, British Columbia, Canada, with farming operations in Ontario. The Company did not plant new crops in 2009 or 2010 and is planning to cease operations in their current form after completing the harvest in 2011 and the sale of the inventory from that harvest in 2012. The intention to cease operations resulted in the

Company offering retention bonuses to certain management and staff to ensure continuity and operational efficiency until the intended closure date. The Company's wholly owned subsidiary in Hong Kong is responsible for the marketing and distribution of its products in China, Hong Kong and Southeast Asia.

The Company continued to sell its inventory from the 2010 harvest in the second quarter of 2011 and recorded a gross margin of \$1.8 million on revenue of \$3.8 million for the three month period ended June 30, 2011 compared to a gross loss of \$88,000 on revenue of \$2.0 million for the three month period ended June 30, 2010. The increase in revenue and gross margin was due to an increase in the volume of sales and higher prices achieved. This also resulted in the Company recording net earnings of \$1.5 million for the three month period ended June 30, 2011 compared to a net loss of \$113,000 for the same period in the prior year.

## RESULTS OF OPERATIONS

Revenue almost doubled to \$3.8 million in the second quarter of 2011 from \$2.0 million in the second quarter of the previous year and increased to \$7.3 million for the six months ended June 30, 2011 compared to \$2.8 million in the prior year period. The Company sold 373,000 pounds of root for an average price of \$19.64 per pound in the first six months of 2011 compared to 393,000 pounds of root sold for an average price of \$7.12 per pound in the first six months of 2010. Sales in the first six months of 2011 consisted entirely of high demand, high quality ginseng roots from the 2010 harvest in Ontario while the sales in the first six months of 2010 consisted primarily of low demand, low quality roots from the 2008 harvest in British Columbia. The Company still has 108,000 pounds of inventory with a cost of over \$1.0 million from its 2010 harvest which has all been committed to purchase by customers. The Company expects to sell its remaining inventory from the 2010 harvest during 2011.

Cost of goods sold was 53% of sales revenue in the second quarter of 2011, compared to 104% in the previous year period and was 52% of sales revenue for the six months ended June 30, 2011 compared to just over 100% for the six months ended June 30, 2010. The Company had a gross margin of 47% of sales in the second quarter of 2011 compared to a gross loss of 4% of sales in the second quarter of 2010. Gross margin was 48% of sales for the six months ended June 30, 2011 compared to a gross loss of less than 1% for the six months ended June 30, 2010. The increase in gross margin in the current period was a result of higher sale prices achieved for the 2010 harvest inventory sold in 2011 which was due to a higher quality of product and an increase in overall market demand. The prior year cost of goods sold also included a write-down of \$170,000 on ginseng crops that are expected to be part of the 2011 harvest. This write-down was recorded due to frost damage at one of the Company's farm locations.

For the three months ended June 30, 2011, selling, general and administrative expenses increased to \$273,000 compared to \$214,000 for the three months ended June 30, 2010. For the six months ended June 30, 2011, selling, general and administrative expenses increased to \$749,000 compared to \$417,000 for the six months ended June 30, 2010. For

the three and six month periods ended June 30, 2011, this amount included \$63,000 and \$126,000, respectively, in retention bonuses for management and staff which were accrued as at June 30, 2011. The selling, general and administrative expenses for the six month period ended June 30, 2011 also includes a performance bonus of \$225,000 to the management and farm staff which was approved by the Board of Directors during the three month period ended March 31, 2011 and was paid during the three month period ended June 30, 2011. The Company expects that its total selling, general and administrative expenses will continue to increase in 2011 compared to 2010 due to the continued accrual of retention bonuses.

For the three and six month periods ended June 30, 2011, the Company incurred operating income of \$1.5 million and \$2.7 million, respectively, compared to operating losses of \$302,000 and \$427,000, respectively for the three and six month periods ended June 30, 2010. The increase in operating income was primarily due to the gross margin earned on sales from the 2010 harvest in the current period.

The Company had no interest expense on long-term debt in the second quarter of 2011 compared to \$124,000 for the prior year period. Interest expense on long-term debt decreased to \$9,000 in the first six months of 2011 from \$194,000 in the first six months of 2010. The decrease in interest on long-term debt is due to a reduction in the loan balance as the Company began repaying its debt during 2010 and settled the debt obligation in full during the first quarter of 2011. The Company does not expect to incur any additional interest expense.

The Company had other non-operating losses for the three and six month periods ended June 30, 2011 of \$11,000 and \$57,000, respectively, which consisted entirely of foreign exchange losses compared to \$184,000 and \$79,000 in foreign exchange losses included in other non-operating income during the prior year periods, respectively. For the three and six month periods ended June 30, 2010 the Company also had \$495,000 and \$487,000, respectively, of gains on the disposal of property, plant and equipment included in other non-operating income.

For the three month period ended June 30, 2011, the Company incurred net earnings of \$1.5 million, or \$0.05 per basic share, compared to a net loss of \$113,000, or less than \$0.01 per basic share, for the three month period ended June 30, 2010. For the six month period ended June 30, 2011, the Company incurred net earnings of \$2.7 million, or \$0.08 per basic share, compared to a net loss of \$210,000, or \$0.01 per basic share, for the three month period ended June 30, 2010. The net earnings increased primarily due to the gross margin earned on sales from the 2010 harvest in the current period.

The Company did not declare any dividends on any class of shares during the three month period ended June 30, 2011 or for any period in the previous three fiscal years ended December 31, 2010.

## LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations for the three and six month periods ended June 30, 2011 was \$3.2 million and \$4.9 million, respectively, compared with \$46,000 and \$30,000 for the same period in 2010. Cash provided by operations increased during the current period primarily due to an increase in the amount of proceeds received from customers from the sale of inventory compared to the prior year.

Crop cost expenditures before depreciation totalled \$527,000 for the three month period ended June 30, 2011 and \$730,000 for the six month period ended June 30, 2011. This compares to \$699,000 for the three month period ended June 30, 2010 and \$929,000 for the six month period ended June 30, 2011. The decrease in expenditures was due to a reduction in the number of acres under cultivation.

As of June 30, 2011, the Company had received \$603,000 in deposits from customers. These deposits are on orders that management expects will be fulfilled in the remaining two quarters of 2011.

During the three month period ended March 31, 2011, the Company repaid US\$3,000,000 in long-term debt at a cost of \$2,950,000 which fully settled the Company's long-term debt obligation to a company formerly under common control. The Company had repaid \$448,000 in the first quarter of 2010 and repaid \$3,712,000 for the year ended December 31, 2010.

The Company's cash as at June 30, 2011 was \$4.6 million compared to a balance of \$2.7 million at December 31, 2010, a net increase of \$1.9 million. The working capital position of the Company at June 30, 2011 was a surplus of \$8.6 million compared to a surplus of \$8.7 million at December 31, 2010. The Company has been able to repay almost \$3.0 million of long-term debt and fund its expenses from cash provided by operations over the first six months of 2011. The Company's cash includes cash on hand, cash deposited in large, high quality financial institutions and cash invested in guaranteed short-term instruments with large, high quality financial institutions that can be converted to cash in one business day.

The Company believes that its existing cash resources will be sufficient to meet its working capital and operating requirements of the existing operations for the next twelve months. If the Company were to undertake new operations, it may become necessary to secure additional financing; however there is no assurance that additional financing will be available or available on terms favourable to the Company.

As at June 30, 2011, the Company had the contractual obligations and commercial commitments as follows:

The Company has committed to \$58,000 in operating leases over the next year which comprise of long-term leases of equipment, office facilities and vehicles.

The Company has committed to \$46,000 in agricultural land leases which comprise of the Company's land rentals in Ontario for the cultivation of ginseng. The Company's

\$39,000 commitment to agriculture land rentals for 2012 can be alleviated upon completion of the harvest of the ginseng crops in 2011 and after notification has been given to the respective landlords.

The Company is committed to maintaining its ginseng crops from the time of initial planting to the time of harvesting, which usually takes three to four years. The Company expects that it will harvest all its remaining ginseng crops in 2011. The cost of maintaining these crops is currently financed through the sale of inventory. This commitment is not included in the Contractual Obligations table.

## RELATED PARTY TRANSACTIONS

The Company pays management fees to Wai Kee for performing sales, accounting and administrative services for CNT Trading (Hong Kong) Limited, a subsidiary of the Company. For the three and six month periods ended June 30, 2011, the Company paid management fees of \$14,000 and \$28,000 (June 30, 2010 - \$15,000 and \$36,000), respectively, of which \$5,000 (2010 - \$10,000) remains outstanding and is included in accounts payable and accrued liabilities on the consolidated balance sheet. This transaction is measured at the exchange value.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other disclosures as at the end of or during the reporting periods. Actual results may differ from these estimates and from judgments made under different assumptions or conditions.

The following items require the most significant estimates and judgments in the preparation of the Company's financial statements:

### Inventory

The Company periodically reviews the carrying value of inventory to determine if write-downs are required to state the inventory at the lower of cost and net realizable value. The determination of net realizable value reflects management's best estimate of the expected selling price of the roots as well as consideration of qualitative factors such as size, shape, colour and taste. The carrying value of inventory also reflects management's expectation that the inventory will eventually be sold. Although management does not believe that additional provisions are required to align the carrying value of certain inventory with its net realizable values, future events may indicate that the inventory is not saleable or that such inventory is not saleable at prices above carrying value.

### Ginseng Crops

The Company uses the full absorption costing method to value its ginseng crops and periodically reviews their carrying value for evidence of impairment. Included in the cost of crops are seed, labour, applicable overhead and supplies required to bring them to harvest. The determination of impairment requires complex calculations and significant management estimation with respect to future costs to bring crops to harvest; demand for and the market price of harvested ginseng roots; and expectations as to the yield and quality of ginseng roots harvested. The estimation process is further complicated by the relatively long growing cycle of three to four years and the fact that roots remain underground. Although the Company's assumptions reflect management's best estimates, future events may result in materially different outcomes with respect to the recoverability of ginseng crop costs and the time required bringing the crops to harvest.

### Income Taxes

The Company estimates its income taxes in each of the jurisdictions that it operates. The process involves estimating the current income tax exposure, together with assessing temporary differences from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities that are included in the consolidated balance sheet to the extent that a net deferred income tax asset or liability exists. The valuation of any deferred income tax assets or liabilities is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. The process of determining if a valuation allowance is necessary includes estimates of the recoverability of inventory and ginseng crops as detailed above and an estimate of deferred interest expense. Future events may result in a materially different outcome than is estimated with respect to the recoverability of both inventory and ginseng crops.

### RISKS AND UNCERTAINTIES

The Company's revenue and earnings are affected by the world price of ginseng root, which is determined by reference to factors including the supply and demand for North American ginseng root, negotiations between buyers and sellers, the quality and aesthetic characteristics of the root and the relative strength of the Canadian dollar to the currencies used by the Company's customers. A percentage change in the market price of ginseng root tends to have a corresponding impact on the revenue reported by the Company.

The Company identifies Canada as the primary economic environment in which it operates, and uses the Canadian dollar as its functional currency except for its active foreign subsidiary that operates in Hong Kong and which uses the Hong Kong dollar as its functional currency. A minor portion of the Company's accounts receivable is denominated in Hong Kong dollars. The Company monitors its exposure to foreign exchange risk and balances its foreign currency holdings to reduce exposure to any one currency by repatriating any excess funds.

The Company's revenue is derived principally from the sale of ginseng roots to a limited number of customers that are concentrated in Asian markets. In order to manage its credit risk, the Company carefully monitors credit terms, investigates credit history and grants credit to customers with established relationships or acceptable credit ratings. Payments or deposits are usually received before shipments of inventory. Inventory may be held as security until payment is received, when such relationships have not been established. As the Company's significant customers do not necessarily use the ginseng themselves but instead distribute the ginseng to smaller wholesalers, distributors and retailers, the Company does not believe that it is economically dependent on any one customer or that the loss of any one wholesaler would impact the Company's ability to market roots through other channels. There can be no assurance, however, that adverse changes in the above noted factors will not materially affect the Company's business, financial condition, operating results and cash flows.

The Company is exposed to currency exchange risk as a result of its international markets and operations. The majority of the Company's revenue comes from buyers who are located outside of Canada and as a result, the selling price that the Company can achieve in those markets is exposed to changes in exchange rates.

#### FINANCIAL INSTRUMENTS

Financial instruments of the Company are represented by cash, accounts receivable and other receivables, and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to the short-term maturity of such items.

#### OUTLOOK

The Company has improved both the quality and quantity of its annual harvest in Ontario which is reflected in the Company's profitability during the current period. However, the Company did not plant new ginseng crops in 2009 or 2010 so any effort to continue operations would result in a substantial reduction in revenue from potential harvests in 2012 through 2014. Also, the Company believes that there will continue to be a high amount of uncertainty for the market price of ginseng and does not believe that current market prices will be sustained in the long-term. The Company is planning to cease operations in their current form after completing the harvest in 2011 and selling of the inventory from that harvest in 2012. In the next four months, the Company will focus its attention on maximizing the yield and quality of the crops from its final harvest in Ontario in 2011.

***CHAI-NA-TA CORP.***

**Interim Consolidated Financial Statements  
Three and six months ended June 30, 2011**

**(Unaudited - Prepared by Management)**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company disclosed that its auditors have not reviewed the unaudited financial statements for the three and six months ended June 30, 2011.

## **CHAI-NA-TA CORP.**

### **Consolidated Balance Sheets (Unaudited)**

In thousands of Canadian dollars	Note	June 30 2011	December 31 2010
<b>ASSETS</b>			
Current assets			
Cash		\$ 4,622	\$ 2,659
Accounts receivable and other receivables		30	27
Inventory		1,027	4,835
Ginseng crops		4,033	3,149
Prepaid expenses		58	78
Total current assets		9,770	10,748
Prepaid expenses		12	15
Property, plant and equipment		2,096	2,232
Total assets		\$ 11,878	\$ 12,995
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 530	\$ 522
Customer deposits		603	1,479
Total current liabilities		1,133	2,001
Long-term debt	3	-	2,984
Total liabilities		1,133	4,985
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	38,226	38,226
Contributed surplus		9,436	9,436
Accumulated other comprehensive income		977	917
Deficit		(37,894)	(40,569)
Total shareholders' equity		10,745	8,010
		\$ 11,878	\$ 12,995

Commitments (Note 8)

Approved by the Board:

/s/ DEREK ZEN

Derek Zen  
Chairman

/s/ WILMAN WONG

Wilman Wong  
Chief Executive Officer

## CHAI-NA-TA CORP.

### Interim Consolidated Statements of Operations and Deficit (Unaudited)

in thousands of Canadian dollars (except per share and share amounts)	Note	Three months ended		Six months ended	
		June 30 2011	June 30 2010	June 30 2011	June 30 2010
Revenue		\$ 3,795	\$ 1,980	\$ 7,320	\$ 2,805
Cost of goods sold					
Cost of inventory sold		1,998	1,870	3,828	2,606
Shipping and handling fees		4	28	8	39
Write-down of ginseng crops	5	-	170	-	170
Total cost of goods sold		2,002	2,068	3,836	2,815
Gross margin (loss)		1,793	(88)	3,484	(10)
Selling, general and administrative expenses	6	273	214	749	417
Operating income (loss)		1,520	(302)	2,735	(427)
Interest income		4	2	6	3
Interest expense on long-term debt		-	(124)	(9)	(194)
Other (loss) income	7	(11)	311	(57)	408
<b>NET EARNINGS (LOSS)</b>		<b>\$ 1,513</b>	<b>\$ (113)</b>	<b>\$ 2,675</b>	<b>\$ (210)</b>
Basic and diluted earnings (loss) per share		<b>\$ 0.05</b>	<b>\$ (0.00)</b>	<b>\$ 0.08</b>	<b>\$ (0.01)</b>
Weighted average number of shares used to calculate basic and diluted earnings (loss) per share (in thousands)		34,698	34,698	34,698	34,698

## CHAI-NA-TA CORP.

### Interim Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) (Unaudited)

in thousands of Canadian dollars (except number of shares in thousands)	Common		Contributed Surplus	Deficit	Accumulated		Comprehensive Income (Loss)
	Shares Outstanding	Share Capital			Other Comprehensive Income (Loss)	Total Shareholders' Equity	
Balance - January 1, 2010	34,698	\$ 38,226	\$ 9,436	\$ (41,827)	\$ 806	\$ 6,641	
Net loss	-	-	-	(210)	-	(210)	\$ (210)
Cumulative translation adjustment	-	-	-	-	(18)	(18)	(18)
<b>Balance - June 30, 2010</b>	<b>34,698</b>	<b>\$ 38,226</b>	<b>\$ 9,436</b>	<b>\$ (42,037)</b>	<b>\$ 788</b>	<b>\$ 6,413</b>	<b>\$ (228)</b>
<b>Balance - January 1, 2011</b>	<b>34,698</b>	<b>\$ 38,226</b>	<b>\$ 9,436</b>	<b>\$ (40,569)</b>	<b>\$ 917</b>	<b>\$ 8,010</b>	
<b>Net earnings</b>	-	-	-	<b>2,675</b>	-	<b>2,675</b>	<b>\$ 2,675</b>
<b>Cumulative translation adjustment</b>	-	-	-	-	<b>60</b>	<b>60</b>	<b>60</b>
<b>Balance - June 30, 2011</b>	<b>34,698</b>	<b>\$ 38,226</b>	<b>\$ 9,436</b>	<b>\$ (37,894)</b>	<b>\$ 977</b>	<b>\$ 10,745</b>	<b>\$ 2,735</b>

## CHAI-NA-TA CORP.

### Interim Consolidated Statements of Cash Flows (Unaudited)

in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
<b>Operating Activities</b>				
Net earnings (loss)	\$ 1,513	\$ (113)	\$ 2,675	\$ (210)
Items included in net earnings (loss) not affecting cash:				
Cost of ginseng crops sold	1,991	1,869	3,809	2,605
Depreciation and amortization	1	3	3	5
Gains on disposal of property, plant and equipment	-	(495)	-	(487)
Non-cash foreign exchange losses (gains)	12	184	(1)	28
Write-down of ginseng crops	-	170	-	170
Changes in non-cash operating assets and liabilities:				
Accounts receivable and other receivables	34	(499)	(2)	(497)
Inventory	(6)	9	(2)	1
Prepaid expenses	(10)	(21)	24	23
Accounts payable and accrued liabilities	(163)	6	36	(25)
Customer deposits	309	(368)	(876)	(654)
Ginseng crop expenditures	(527)	(699)	(730)	(929)
	<b>3,154</b>	<b>46</b>	<b>4,936</b>	<b>30</b>
<b>Financing Activities</b>				
Repayment of long-term debt	-	-	(2,950)	(448)
	-	-	(2,950)	(448)
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(22)	(42)	(22)	(42)
Proceeds from disposition of property, plant and equipment	-	535	-	541
	(22)	493	(22)	499
Effect of exchange rates changes on cash and cash equivalents	-	1	(1)	-
<b>NET INCREASE IN CASH</b>	<b>\$ 3,132</b>	<b>\$ 540</b>	<b>\$ 1,963</b>	<b>\$ 81</b>
CASH, BEGINNING OF THE PERIOD	1,490	2,029	2,659	2,488
<b>CASH, END OF THE PERIOD</b>	<b>\$ 4,622</b>	<b>\$ 2,569</b>	<b>\$ 4,622</b>	<b>\$ 2,569</b>

## **CHAI-NA-TA CORP.**

### **Notes to the Interim Consolidated Financial Statements (Unaudited)**

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#### **1. Nature of operations**

The Company operates North American ginseng farms in Ontario, Canada, on which ginseng root is planted, cultivated and harvested. The Company sells ginseng in its primary markets of Hong Kong and China, and to a lesser extent Canada and the United States of America, through its wholly-owned subsidiaries.

The Company did not plant new crops in 2009 or 2010 and is expecting to cease operations in their current form after completing the harvest in 2011 and the sale of the inventory from that harvest in 2012. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management anticipates there will be positive cash inflows from operations for 2011 and 2012.

The Company is publicly traded with no single shareholder holding a majority of the Company's common shares. The largest shareholder of the Company is Wai Kee Holdings Limited ("Wai Kee"), a publicly traded Hong Kong based company, which owns 46% of the shares of the Company.

#### **2. Basis of presentation**

These interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP) for interim reporting periods. The Company began reporting in accordance with US GAAP on January 1, 2011 and formerly was reporting in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These interim consolidated financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2010 which were prepared in accordance with Canadian GAAP and included a discussion of the differences between Canadian GAAP and US GAAP in Note 20.

These interim consolidated financial statements are subject to seasonality due to the timing of crop harvesting which typically occurs in the fall and the timing of subsequent sales, and therefore may not be indicative of results to be expected for the year ending December 31, 2011.

All amounts included in these interim consolidated financial statements are expressed in Canadian dollars ("CAD") unless otherwise noted.

For a summary of the significant accounting policies that the Company has adopted in accordance with US GAAP, refer to Note 2 of the Company's interim consolidated financial statements for the three month period ended March 31, 2011 and to the supplemental disclosures noted below.

#### Cash

Cash consists of cash on hand and cash deposited in a large, Canadian financial institution. Cash also includes investments in guaranteed short-term instruments with the same financial institution that can be converted to cash in one business day. Interest earned, but not yet received, on these investments are included in interest income on the statement of operations and in accounts receivable and other receivables on the balance sheet.

#### Financial instruments

The Company has designated its cash and foreign exchange forward contracts as held-for-trading, which are measured at fair market value with changes in fair market value recorded in earnings. Accounts receivable and other receivables are classified as loans and receivables which are measured at amortized cost. Accounts payable, accrued liabilities and long-term debt are classified as other liabilities, which are measured at amortized cost.

## CHAI-NA-TA CORP.

### Notes to the Interim Consolidated Financial Statements (Unaudited)

#### 3. Long-term debt

in thousands of Canadian dollars	June 30 2011	December 31 2010
Term loan	\$ -	\$ 2,984
Less: current portion	-	-
	\$ -	\$ 2,984

On September 1, 2009, the Company agreed to a three year extension of the remaining HK\$51,500,000 (equivalent to \$6,381,000 at June 30, 2011) loan facility from a company formerly under common control. The loan was denominated in the amounts of HK\$21,125,000 (equivalent to \$2,617,000 at June 30, 2011) and US\$3,878,000 (equivalent to \$3,764,000 at June 30, 2011) and was unsecured and bore interest at 6.25%. The Company repaid HK\$21,125,000 (\$2,820,000) and US\$878,000 (\$892,000) during the year ended December 31, 2010 bringing the balance down to US\$3,000,000 (\$2,984,000) at December 31, 2010 which was repaid during the three month period ended March 31, 2011 settling the loan facility in full.

#### 4. Share capital

In thousands	Number of Shares		Amount
	Authorized	Outstanding	
<u>Common Shares</u> - without par value			
Balance as at December 31, 2010 and June 30, 2011	Unlimited	34,698	\$ 38,226

#### 5. Write-down of ginseng crops

During the three month period ended June 30, 2010, the Company recorded a \$170,000 write-down on the long-term ginseng crops that are expected to be part of the 2011 harvest. This write-down was recorded due to frost damage at one of the Company's farm locations which damaged the ginseng crops and reduced the expected yield from that specific location which in turn reduced the net realizable value of those ginseng crops.

#### 6. Selling, general and administrative expenses

in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
Retention bonuses	\$ 63	\$ -	\$ 126	\$ -
Other selling, general and administrative expenses	210	214	623	417
	\$ 273	\$ 214	\$ 749	\$ 417

During 2010, the Company agreed to pay retention bonuses totalling \$485,000 to corporate and farm management and staff to ensure the stability of the operation through the expected final harvest in 2011 and the sale of the Company's assets in 2012. These retention bonuses are contingent on the satisfactory completion of the job duties of each employee up to their termination date. During the three and six month periods ended June 30, 2011, \$63,000 (2010 - \$NIL) and \$126,000 (2010 - \$NIL), respectively, of expenses were incurred and included in accounts payable and accrued liabilities. The remaining balance will be recorded over the remaining service period for the employees and will be adjusted for changes in employees on a prospective basis.

## **CHAI-NA-TA CORP.**

### **Notes to the Interim Consolidated Financial Statements (Unaudited)**

#### **7. Other (loss) income**

in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
Foreign exchange (losses) gains	\$ (11)	\$ (184)	\$ (58)	\$ (79)
Gains on disposal of property, plant and equipment	-	495	-	487
	<b>\$ (11)</b>	<b>\$ 311</b>	<b>\$ (57)</b>	<b>\$ 408</b>

Foreign exchange (losses) gains for the three months ended June 30, 2011 included \$NIL (2010 - \$24,000 gain) and for the six months ended June 30, 2011 include a \$36,000 loss (2010 - \$19,000 loss) on foreign exchange forward contracts.

#### **8. Commitments**

The Company has entered into operating leases for vehicles, farming equipment and offices expiring at various times to 2012. Total future minimum payments required under these leases in thousands of Canadian dollars are as follows:

Less than 6 months	\$ 36
6 - 12 months	22
	<u>\$ 58</u>

The Company is committed to agricultural land rentals through 2012 with payments in thousands of Canadian dollars as follows:

Less than 6 months	\$ 7
6 - 12 months	39
	<u>\$ 46</u>

The Company's commitment to agriculture land rentals of \$39,000 for 2012 can be alleviated upon completion of the harvest of the ginseng crops in 2011 and after notification has been given to the respective landlords.

The Company is committed to maintaining its ginseng crops from the time of initial planting to the time of harvesting, which usually takes three to four years. The Company expects that it will harvest all its remaining ginseng crops in 2011. The cost of maintaining these crops is currently financed through the sale of inventory and have not been included in the amounts detailed above.

#### **9. Segmented information**

The Company operates in one industry segment and two geographic regions. The geographic region that the external revenue is derived from is determined by the residency of the customer. Intersegment revenue is determined by the residency of the subsidiary selling the product. Information by geographic region is summarized as follows:

## CHAI-NA-TA CORP.

### Notes to the Interim Consolidated Financial Statements (Unaudited)

in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
External revenue from operations located in:				
Canada	\$ 2,803	\$ 57	\$ 5,289	\$ 100
Hong Kong & People's Republic of China	992	1,923	2,031	2,705
	<b>\$ 3,795</b>	<b>\$ 1,980</b>	<b>\$ 7,320</b>	<b>\$ 2,805</b>
Intersegment revenue from operations located in:				
Canada	\$ 1,807	\$ 1,749	\$ 2,807	\$ 2,585
Hong Kong & People's Republic of China	-	-	-	-
	<b>\$ 1,807</b>	<b>\$ 1,749</b>	<b>\$ 2,807</b>	<b>\$ 2,585</b>
Net earnings (loss) from operations located in:				
Canada	\$ 1,523	\$ (122)	\$ 2,723	\$ (199)
Hong Kong & People's Republic of China	(10)	9	(48)	(11)
	<b>\$ 1,513</b>	<b>\$ (113)</b>	<b>\$ 2,675</b>	<b>\$ (210)</b>

All of the Company's long-lived assets, which comprise of all assets not classified as current assets, were in the Canadian geographic region as at June 30, 2011 and June 30, 2010.

#### Major customers:

Major customers include all customers with whom the Company has derived revenue greater than 10% of its total revenue within the reporting period.

For the three months ended June 30, 2011, revenue included sales to three major customers which accounted for \$1,514,000 and \$1,153,000 from the Canadian geographic region, respectively, and \$642,000 from the Hong Kong and People's Republic of China geographic region (June 30, 2010 - two customers from the Hong Kong and People's Republic of China geographic region which accounted for \$1,669,000 and \$253,000, respectively).

For the six months ended June 30, 2011, revenue included sales to four major customers which accounted for \$3,890,000 and \$1,191,000 from the Canadian geographic region, respectively, and \$1,283,000 and \$748,000, respectively, from the Hong Kong and People's Republic of China geographic region (June 30, 2010 - two customers from the Hong Kong and People's Republic of China geographic region which accounted for \$2,103,000 and \$348,000, respectively).

#### 10. Related party transactions

In the normal course of business, the Company pays management fees to Wai Kee for performing sales, accounting and administrative services for CNT Trading (Hong Kong) Limited, a subsidiary of the Company. For the three and six month periods ended June 30, 2011, the Company paid management fees of \$14,000 and \$28,000 (June 30, 2010 - \$15,000 and \$36,000), respectively, of which \$5,000 (2010 - \$10,000) remains outstanding and is included in accounts payable and accrued liabilities on the consolidated balance sheet. This transaction is measured at the exchange value.