



**CHAI·NA·TA**  
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## **FOR IMMEDIATE RELEASE**

### **Chai-Na-Ta Corp. Reports 2003 Second Quarter Results**

LANGLEY, BRITISH COLUMBIA – August 14, 2003 – Chai-Na-Ta Corp. (TSX: "CC"; OTCBB: "CCCFF"), the world's largest supplier of North American ginseng, today announced that net earnings rose to \$0.4 million (\$0.03 per basic share) in the quarter ended June 30, 2003 from a loss of \$0.2 million (\$0.01 per basic share) in the same period last year.

The Company took a \$1 million write-down of crop costs in the 2003 second quarter due to an unusually late frost at one of its British Columbia farms, which severely damaged 57 acres of ginseng plants, or just less than 20% of the anticipated 2004 harvest. The surviving plants represented too small a return on investment to warrant ongoing cultivation.

"Our recent experience shows that we were correct in deciding to balance our farming operations between B.C. and Ontario, which reduces weather risks to our crops," said William Zen, Chairman and Chief Executive Officer. "Moreover, our success in reducing costs – and in selling our product into an improving market – demonstrate that our strategies are positioning the Company for strong growth. Chai-Na-Ta should be significantly more profitable on an operating earnings basis in 2003 than it was in 2002 – and we expect net earnings to rise substantially year over year."

Revenue increased 56% to \$4.9 million in the second quarter of 2003 from \$3.1 million in the same quarter last year.

The Company's gross profit margin rose to 35% in the 2003 second quarter from 4% in the same period last year, when the crop was damaged by rust, an aesthetic condition that affects root prices.

Selling, general and administrative expenses improved to \$0.4 million in the 2003 second quarter, or 9% of revenue, from \$0.5 million, or 15% of revenue, in the quarter ended June 30, 2002.

“We have sold nearly all of the 2002 fall harvest. Prices have firmed within the \$17 per pound range. We expect that they will move higher by year-end and continue to rise,” commented Mr. Zen. “While industry-wide frost damage in recent years will limit the amount of root available for sale in 2004, we anticipate a compensatory improvement in prices.”

During the 2003 first half, revenue increased 27% to \$11.3 million from \$8.9 million in the same period last year. The gross profit margin was 32% in the first half of 2003 compared to 7% in the six months ended June 30, 2002. Net earnings were \$1.4 million (\$0.10 per basic share) in the six months ended June 30, 2003 compared to a net loss of \$0.1 million (\$0.01 per basic share) in the prior year period.

Chai-Na-Ta's cash position at June 30, 2003 was \$3.8 million compared to \$2.8 million at December 31, 2002. The Company's working capital position at the end of the 2003 second quarter was a surplus of \$12.2 million, compared to a surplus of \$12.1 million at December 31, 2002.

Chai-Na-Ta Corp., based in Langley, British Columbia, is the world's largest supplier of North American ginseng. The Company farms, processes and distributes North American ginseng as bulk root, and supplies processed material for the manufacture of value-added ginseng-based products.

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, the success of the Company's ongoing research programs, general business conditions, and other risks as outlined in the Company's periodic filings, Annual Report, and Form 20-F.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the six months ended June 30, 2003**

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Company and notes thereto. Amounts are expressed in Canadian dollars, unless otherwise specified.

#### **OPERATING RESULTS**

For the three months ended June 30, 2003, revenue increased 56% to \$4.9 million from \$3.1 million for the same period last year. For the six months ended June 30, 2003, revenue increased 27% to \$11.3 million from \$8.9 million for the same period last year. Over 99% of the 2002 harvest root was sold as at June 30, 2003.

The Company recorded a gross profit margin of 35% in the second quarter of 2003 compared to a gross margin of 4% in the second quarter of 2002. For the six months ended June 30, 2003 the Company recorded a gross margin of 32%, as compared to a gross margin of 7% for the six months ended June 30, 2002. The lower gross margin in 2002 was mainly due to the 2001 harvest in British Columbia being hard hit by rust that reduced the prices of lower grade root.

For the three months ended June 30, 2003, selling, general and administrative expenses were \$0.4 million, or 9% of revenue, compared to \$0.5 million, or 15% of revenue, for the same period last year. Continuous effort has been made to keep expenses to a minimum. As a result, selling, general and administrative expenses were \$0.9 million, or 8% of revenue for the six months ended June 30, 2003, compared to \$0.9 million, or 11% of revenue for the same period last year.

A \$1 million write-down of crop costs in the six months ended June 30, 2003 was due to an unusual late frost at one of the Company's farms in British Columbia severely damaged 57 acres of ginseng plants. The surviving plants represent insufficient return on investment to warrant ongoing cultivation.

The net earnings was \$0.4 million (\$0.03 per share) and \$1.4 million (\$0.10 per share) for the three months and six months ended June 30, 2003, respectively. In comparison, net loss was \$0.2 million (\$0.01 per share) and \$0.1 million (\$0.01 per share) for the corresponding period last year.

## **FINANCIAL POSITION AND LIQUIDITY**

The cash surplus from operations was \$0.7 million for the three months ended June 30, 2003, compared to a surplus of \$0.8 million for the same period in 2002. The cash surplus from operations was \$5.3 million for the six months ended June 30, 2003, compared to a surplus of \$4.1 million for the same period in 2002.

The Company's cash and cash equivalents balance as at June 30, 2003 was \$3.8 million, compared to a balance of \$1.2 million as at June 30, 2002.

The Company's cash position as at June 30, 2003 was \$3.8 million, compared to \$2.8 million as at December 31, 2002. This increase of \$1 million was mainly due to the excess of revenue generated in the first six months of 2003 over the repayments of short-term borrowings and the increase in ginseng crops.

The working capital position of the Company as at June 30, 2003 was a surplus of \$12.2 million, compared to a surplus of \$12.1 million as at December 31, 2002. The increase was mainly used to the reductions in short-term debts as a result of cash flow improvement.

Current and non-current crop costs totaled \$21.1 million at June 30, 2003, a net increase of 2.6 million during the six months ended June 30, 2003 as compared to \$18.5 million at December 31, 2002.

## **RISKS AND UNCERTAINTIES**

The Company has not had any significant changes to its risks and uncertainties from those that were disclosed in the Company's fiscal 2002 Management's Discussion and Analysis included in the 2002 Annual Report.

## **OUTLOOK**

With 1,284 acres currently under cultivation, the Company remains the market leader in ginseng farming and will continue to focus on reducing costs, increasing efficiency and maximizing production. The Company will continue its balanced planting strategy in both Ontario and British Columbia growing regions and to explore opportunities to vertically integrate its operations and direct bulk roots into value-added markets.

## **FORWARD-LOOKING STATEMENTS**

As a cautionary note, this MD&A contains forward-looking statements that reflect the Company's expectations regarding future events. Since forward-looking statements address future events and conditions by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements, by reasons of factors such as future changes in root prices.

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

**Interim Consolidated Financial Statements  
Six-month period ended June 30, 2003**

**(Unaudited - Prepared by Management)**

**CHAI-NA-TA CORP.**  
**Consolidated Balance Sheets**

	<b>June 30</b>	December 31
In thousands of	<b>2003</b>	2002
Canadian dollars	(Unaudited)	(Audited)
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	<b>3,751</b>	2,757
Accounts receivable	<b>46</b>	137
Inventory	<b>493</b>	8,083
Ginseng crops	<b>8,388</b>	7,578
Prepaid expenses and other assets	<b>176</b>	86
	<b>12,854</b>	18,641
Ginseng crops	<b>12,744</b>	10,922
Capital assets	<b>6,492</b>	6,649
	<b>32,090</b>	36,212
<b>LIABILITIES</b>		
Current liabilities		
Short-term borrowings	-	3,632
Accounts payable and accrued liabilities	<b>580</b>	772
Customer deposits	-	1,994
Current portion of long-term debt	<b>39</b>	126
	<b>619</b>	6,524
Long-term debt	<b>95</b>	26
Future income taxes	<b>1,430</b>	1,130
	<b>2,144</b>	7,680
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	<b>38,200</b>	38,200
Cumulative translation adjustments	<b>(85)</b>	(71)
Deficit	<b>(8,169)</b>	(9,597)
	<b>29,946</b>	28,532
	<b>32,090</b>	36,212

On behalf of the Board:

**"William Zen"**

William Zen  
Director

**"Steven Hsieh"**

Steven T.M. Hsieh  
Director

**CHAI-NA-TA CORP.**  
**Consolidated Statements of Deficit**

Unaudited in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2003	June 30 2002	June 30 2003	June 30 2002
	\$	\$	\$	\$
Balance, beginning of period	<b>(8,572)</b>	(9,839)	<b>(9,597)</b>	(9,931)
Net earnings (loss) for the period	<b>403</b>	(193)	<b>1,428</b>	(101)
Balance, end of period	<b>(8,169)</b>	(10,032)	<b>(8,169)</b>	(10,032)

**CHAI-NA-TA CORP.**  
**Consolidated Statements of Operations**

Unaudited in thousands of Canadian dollars	Three months ended		Six months ended	
	June 30 2003	June 30 2002	June 30 2003	June 30 2002
	\$	\$	\$	\$
Revenue	4,871	3,129	11,296	8,854
Cost of goods sold	3,174	3,001	7,715	8,226
	<b>1,697</b>	128	<b>3,581</b>	628
Selling, general, and administrative expenses	445	468	889	933
Interest on short-term debt	-	4	-	13
Writedown of crop costs	1,000	-	1,000	-
	<b>1,445</b>	472	<b>1,889</b>	946
Operating income/(loss)	252	(344)	1,692	(318)
Other income (loss)	47	(30)	36	36
Earnings/(loss) before taxes	299	(374)	1,728	(282)
Provision for income taxes	104	181	(300)	181
<b>NET EARNINGS/(LOSS) FOR THE PERIOD</b>	<b>403</b>	(193)	<b>1,428</b>	(101)
Basic earnings/(loss) per share	<b>\$0.03</b>	(\$0.01)	<b>\$0.10</b>	(\$0.01)
Fully diluted earnings/(loss) per share	<b>\$0.01</b>	(\$0.01)	<b>\$0.04</b>	(\$0.01)
Weighted average number of shares used to calculate basic earnings/(loss) per share	<b>14,264,508</b>	14,264,508	<b>14,264,508</b>	14,264,508
Weighted average number of shares used to calculate fully diluted earnings/(loss) per share	<b>34,663,657</b>	14,264,508	<b>34,663,657</b>	14,264,508

**CHAI-NA-TA CORP.**  
**Consolidated Statements of Cash Flows**

Unaudited in thousand of Canadian dollars	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>	June 30	<b>June 30</b>	June 30
	<b>2003</b>	2002	<b>2003</b>	2002
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings/(loss) for the period	<b>403</b>	(193)	<b>1,428</b>	(101)
Items not affecting cash				
Depreciation and amortization	<b>20</b>	19	<b>39</b>	39
Gain on disposition of subsidiaries	-	(20)	-	(20)
Future income taxes	<b>(104)</b>	(181)	<b>300</b>	(181)
Writedown of crop costs	<b>1,000</b>	-	<b>1,000</b>	-
Net earnings/(loss) after items not affecting cash	<b>1,319</b>	(375)	<b>2,767</b>	(263)
Changes in non-cash operating assets and liabilities (Note 4)	<b>771</b>	2,405	<b>4,848</b>	6,452
Changes in non-current cash crop costs	<b>(1,398)</b>	(1,216)	<b>(2,303)</b>	(2,068)
	<b>692</b>	814	<b>5,312</b>	4,121
<b>FINANCING ACTIVITIES</b>				
Line of credit	-	-	-	(1,650)
Short-term borrowings	-	(1,612)	<b>(3,632)</b>	(2,982)
Borrowing/(repayment) of long term debt - net	<b>95</b>	(95)	<b>(18)</b>	(441)
	<b>95</b>	(1,707)	<b>(3,650)</b>	(5,073)
<b>INVESTING ACTIVITIES</b>				
Net proceeds from disposition of subsidiaries	-	459	-	459
Purchase of capital assets, net	<b>(226)</b>	(273)	<b>(558)</b>	(410)
	<b>(226)</b>	186	<b>(558)</b>	49
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
	<b>(55)</b>	(30)	<b>(110)</b>	(29)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>506</b>	(737)	<b>994</b>	(932)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD</b>	<b>3,245</b>	1,892	<b>2,757</b>	2,087
<b>CASH AND CASH EQUIVALENTS END OF THE PERIOD</b>	<b>3,751</b>	1,155	<b>3,751</b>	1,155
Represented by:				
Cash	<b>2,751</b>	895	<b>2,751</b>	895
Term deposits	<b>1,000</b>	260	<b>1,000</b>	260
	<b>3,751</b>	1,155	<b>3,751</b>	1,155

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

### **Notes to the Interim Consolidated Financial Statements**

#### **1. Summary of significant accounting policies**

- a) Interim financial statements  
These consolidated financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants' ("CICA") recommendations for the preparation of interim financial statements. Certain information and note disclosures normally included in the Company's annual consolidated financial statements are not presented. 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, 2002. These interim consolidated financial statements are not necessarily indicative of the results to be expected for the year ending December 31, 2003.
- b) Use of estimates  
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures as at the end of or during the reporting periods. Significant estimates are used for, but not limited to, the accounting for doubtful accounts, net realizable value of assets, future income taxes and contingencies. Actual results may differ from those estimates.
- c) These interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's most recent annual consolidated financial statements except for the changes in accounting principles for the disclosure of guarantees described below.

#### Disclosure of Guarantees

The Company has adopted the recommendations of the Accounting Guideline AcG-14 with respect to Disclosure of Guarantees effective January 1, 2002. This section describes the nature and types of guarantees, provides examples of those guarantees covered by the scope of AcG-14, and details the prescribed disclosures. There is no material impact on the financial statements resulting from the adoption of AcG-14 either in the current period or the prior period presented.

#### **2. Earnings (loss) per common share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution of common shares by including other common shares equivalents in the weighted average number of common shares outstanding for a period, if dilutive. Common share equivalents consist of convertible preferred shares and the incremental number of shares issuable upon the exercise of stock options and share purchase warrants.

Unaudited Three months ended	Net Earnings (Loss) in thousands (numerator)	Number of shares in thousands (denominator)	Earnings (Loss) per share
	\$		\$
<b>June 30, 2003</b>			
<b>Basic</b>	<b>403</b>	<b>14,265</b>	<b>0.03</b>
<b>Effect of common share equivalents</b>	<b>-</b>	<b>20,399</b>	<b>(0.02)</b>
<b>Diluted</b>	<b>403</b>	<b>34,664</b>	<b>0.01</b>

<u>June 30, 2002</u>			
Basic	(193)	14,265	(0.01)
Effect of common share equivalents	-	-	-
Diluted	(193)	14,265	(0.01)

Unaudited Six months ended	Net Earnings (Loss) in thousands (numerator)	Number of shares in thousands (denominator)	Earnings (Loss) per share
	\$		\$
<b>June 30, 2003</b>			
<b>Basic</b>	<b>1,428</b>	<b>14,265</b>	<b>0.10</b>
<b>Effect of common share equivalents</b>	<b>-</b>	<b>20,399</b>	<b>(0.06)</b>
<b>Diluted</b>	<b>1,428</b>	<b>34,664</b>	<b>0.04</b>

<u>June 30, 2002</u>			
Basic	(101)	14,265	(0.01)
Effect of common share equivalents	-	-	-
Diluted	(101)	14,265	(0.01)

At June 30, 2003 there were 10,000 stock options outstanding that could potentially dilute basic earnings per share in the future, but were not included in the computation of diluted earnings per share because the effects would have been anti-dilutive.

### 3. Share capital

Unaudited In thousands	Number of Shares	Amount \$
<u>Common Shares</u>		
Balance as at December 31, 2002 and June 30, 2003	14,265	24,321
<u>Preferred Shares</u>		
Balance as at December 31, 2002 and June 30, 2003	20,399	13,879
		<b>38,200</b>

#### 4. Changes in non-cash operating items

Unaudited in thousands of Canadian dollars	Three months ended	
	June 30	June 30
	2003	2002
	\$	\$
Accounts receivable	19	149
Inventory	3,133	1,277
Ginseng crops	(460)	1,144
Prepaid expenses and other assets	(85)	(27)
Accounts payable and accrued liabilities	(161)	148
Customer deposits	(1,675)	(286)
	<b>771</b>	<b>2,405</b>

Unaudited in thousands of Canadian dollars	Six months ended	
	June 30	June 30
	2003	2002
Accounts receivable	91	186
Inventory	7,529	6,317
Ginseng crops	(656)	902
Prepaid expenses and other assets	(90)	30
Accounts payable and accrued liabilities	(192)	(135)
Customer deposits	(1,834)	(848)
	<b>4,848</b>	<b>6,452</b>

#### 5. Segmented Information

The Company operates in one industry segment and three geographic regions.

Unaudited in thousands of Canadian dollars	Three months ended	
	June 30	June 30
	2003	2002
Revenue from operations located in:	\$	\$
Canada	1	-
United States	1	-
Asia	4,869	3,129
	<b>4,871</b>	<b>3,129</b>
Net earnings (loss) from operations located in:	\$	\$
Canada	(99)	73
United States	(1)	(2)
Asia	503	(264)
	<b>403</b>	<b>(193)</b>

Unaudited in thousands of Canadian dollars	<b>Six months ended</b>	
	<b>June 30 2003</b>	June 30 2002
Revenue from operations located in:	\$	\$
Canada	9	-
United States	169	83
Asia	11,118	8,771
	<b>11,296</b>	<b>8,854</b>
Net earnings (loss) from operations located in:	\$	\$
Canada	473	265
United States	69	33
Asia	886	(399)
	<b>1,428</b>	<b>(101)</b>

Long-lived assets comprise all assets not classified as current assets.

Unaudited in thousands of Canadian dollars	<b>June 30</b>	
	<b>2003</b>	June 30 2002
Long-lived assets from operations located in:	\$	\$
Canada	19,226	21,602
United States	-	-
Asia	10	27
	<b>19,236</b>	<b>21,629</b>

Major customers:

For the six months ended June 30, 2003, the Company had sales to two customers that accounted for \$11,105,000 of revenue (June 30, 2002 - two customers, \$8,083,000 ).

## 6. Commitment

The company has entered into an agreement to purchase a showroom and office for consideration of \$829,800. A deposit of \$100,000 was paid as at June 30, 2003.

## 7. Reconciliation of earnings to U.S. GAAP

Unaudited in thousands of Canadian dollars	Three months ended	
	June 30	June 30
	2003	2002
	\$	\$
Net earnings/(loss) under Canadian GAAP	403	(193)
Adjustments to reflect GAAP differences:		
Accounting for interest	275	66
Financial instruments	15	25
Net income (loss) per US GAAP	693	(102)
Basic earnings (loss) per share - US GAAP	\$0.05	(\$0.01)
Fully diluted earnings (loss) per share - US GAAP	\$0.02	(\$0.01)

Unaudited in thousands of Canadian dollars	Six months ended	
	June 30	June 30
	2003	2002
	\$	\$
Net earnings/(loss) under Canadian GAAP	1,428	(101)
Adjustments to reflect GAAP differences:		
Accounting for interest	633	661
Financial instruments	54	68
Net income per US GAAP	2,115	628
Basic earnings per share - US GAAP	\$0.15	\$0.04
Fully diluted earnings per share - US GAAP	\$0.06	\$0.02

Basic earnings per share were diluted by the outstanding convertible preferred shares and stock options as at June 30, 2003, except where such a dilution would be anti-dilutive.