

LINGXIAN CAPITAL INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS **(Expressed in Canadian Dollars)**

Six Months Ended July 31, 2014

(Unaudited – Prepared by Management)

LINGXIAN CAPITAL INC.

Unaudited Condensed Interim Financial Statements
Six Months Ended July 31, 2014

**NOTICE OF NO AUDITOR REVIEW OF
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Lingxian Capital Inc. (the “Company”) for the six months ended July 31, 2014 have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the condensed interim financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity’s auditor.

LINGXIAN CAPITAL INC.

UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	July 31, 2014 \$	January 31, 2014 \$ (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents		323,385	55,142
Total Current Assets		323,385	55,142
Deferred financing costs	5b	-	27,089
TOTAL ASSETS		323,385	82,231
LIABILITIES			
Current Liabilities			
Accounts payable & accrued liabilities		7,579	30,320
Due to related parties	4a	-	4,500
Total Current Liabilities		7,579	34,820
SHAREHOLDERS' EQUITY			
Common shares	5	395,927	100,000
Reserves	5	58,512	-
Deficit		(138,633)	(52,589)
Total Shareholders' Equity		315,806	47,411
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		323,385	82,231

NATURE AND BASIS OF PREPARATION (Notes 1 and 2)
SUBSEQUENT EVENTS (Note 8)

Approved and authorized by the Board on September 17, 2014:

"Jiuwen Wu"

Jiuwen, Director

"Herrick Lau"

Herrick Lau, Director

The accompanying notes are an integral part of these condensed interim financial statements.

LINGXIAN CAPITAL INC.**UNAUDITED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)**

		Three Months Ended July 31,		Six Months Ended July 31,	
		2014	2013	2014	2013
	Notes	\$	\$	\$	\$
Expenses			-		-
Filing fees		17,131	-	17,843	-
Office and general		3,005	-	3,592	-
Professional fees		16,158	-	28,026	-
Share-based payment	5	35,254	-	35,254	-
Transfer agent fees		1,279	-	1,279	-
		(72,827)	-	(85,994)	-
Other Expenses					
Interest		(50)	-	(50)	-
Net Loss and Comprehensive Loss		(72,877)	-	(86,044)	-
Basic and Diluted Loss Per Share		(0.01)	-	(0.02)	-
Weighted Average Number of Common Shares Outstanding		5,086,957	1	3,569,061	1

The accompanying notes are an integral part of these condensed interim financial statements.

LINGXIAN CAPITAL INC.**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)**

<u>Common Share</u>						
	Note	Number of Shares	\$	Reserve \$	Deficit \$	Shareholders' Equity \$
Balance – January 31, 2013	5	1	-	-	(19,273)	(19,273)
Net loss and comprehensive loss for the period		-	-	-	-	-
Balance – July 31, 2013		1	-	-	(19,273)	(19,273)
Issuance of common shares for cash	5	1,999,999	100,000	-	(33,316)	66,684
Net loss and comprehensive loss for the period		-	-	-	-	-
Balance – January 31, 2014		2,000,000	100,000	-	(52,589)	47,411
Issuance of common shares and agent share purchase warrants pursuant to private placement	5	4,000,000	376,742	23,258	-	400,000
Share issuance cost		-	(80,815)	-	-	(80,815)
Share-based payment		-	-	35,254	-	35,254
Net loss and comprehensive loss for the period		-	-	-	(86,044)	(86,044)
Balance – July 31, 2014		6,000,000	395,927	58,512	(138,633)	315,806

The accompanying notes are an integral part of these condensed interim financial statements.

LINGXIAN CAPITAL INC.
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

		Six Months Ended July 31,	
		2014	2013
	Notes	\$	\$
Cash provided by (used in):			
Operating activities			
Net Income (loss) for the year		(86,044)	-
Items not involving cash:			
Share-based payment		35,254	-
Changes in non-cash operating working capital:			
Accounts payable & accrued liabilities		(22,741)	-
Net change in operating activities		(73,531)	-
Cash flows from financing activities:			
Share Capital		346,274	-
Due from related party		(4,500)	-
Net change in financing activities		341,774	-
Net change in cash		268,243	-
Cash, beginning of the period		55,142	71,027
Cash, end of the period		323,385	71,027

The accompanying notes are an integral part of these condensed interim financial statements.

LINGXIAN CAPITAL INC.**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

JULY 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

Lingxian Capital Inc. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on July 16, 2012. The Company intends to become a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V” or “TSX Venture”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company has not commenced commercial operations. Given the nature of the activities, no separate segmented information is reported.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until the completion of a QT by the Company as defined under the policies of the TSX Venture. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval as a Capital Pool Company.

The Company’s shares commenced trading on the TSX Venture Exchange under the trading symbol “LXC.P” on May 23, 2014.

The head office of the Company is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. The registered office of the Company is located at 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The Company does not have any subsidiaries.

2. BASIS OF PREPARATION**a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) which include International Accounting Standards and Interpretations (“IFRIC” and “SIC”) adopted by the International Accounting Standards Board.

The condensed interim financial statements were authorized for issue by the Board of Directors on September 17, 2014.

b) Basis of presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”), which include International Accounting Standards and Interpretations (“IFRIC” and “SIC”) adopted by the International Accounting Standards Board. IFRS has been applied since incorporation on January 25, 2011.

c) Going concern

These condensed interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of \$138,633 as at July 31, 2014 (January 31, 2014 - \$52,589). The Company’s ability to continue its operations is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future, which raise doubts about the Company’s ability to continue as a going concern. These condensed interim financial statements do not include any adjustments to the amounts and

2. BASIS OF PREPARATION (CONTINUED)

c) Going concern (continued)

classification of assets and liabilities that might be necessary should the company be unable to continue in business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement basis

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

c) Significant accounting judgments and estimates

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure.

Judgment is used mainly in determining how a balance or transaction should be recognized in the condensed interim financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgment has been applied include:

- Classifying categories of financial assets and financial liabilities in accordance with IAS 39, Financial instruments: recognition and measurement;
- Evaluating if the criteria for recognition of provisions and contingencies are met in accordance with IAS 37, Provisions, contingent liabilities and contingent assets; and
- The assessment of the Company's ability to continue as a going concern, which is described in Note 2b.

Significant areas requiring the use of management estimates relate to the valuation of deferred tax amounts, share-based payments, and fair value of agent's options.

d) Cash and cash equivalents

The Company considers unrestricted cash on hand, in trust, in banks, in term deposits and commercial paper with original maturities of three months or less as cash and cash equivalents. As at July 31, 2014, cash in trust of \$5,544 (January 31, 2014 - \$55,142) was held by the Company's security lawyer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Share-based payments

The Company grants stock options to employees and consultants to buy common shares of the Company through its stock option plan as described in Note 5c. The Company accounts for share-based payments using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the options are expected to vest.

f) Comprehensive loss

Comprehensive loss is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders. Other comprehensive income/loss includes items that would not normally be included in comprehensive loss but excluded from net loss, such as unrealized gains and losses on available-for-sale investments.

g) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Foreign currency

Transactions in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the condensed interim financial statements date are recognized in the profit or loss.

i) Financial assets

Financial assets are classified into one of four categories:

- a) Fair value through profit or loss ("FVTPL");
- b) Held-to-maturity ("HTM");
- c) Loans and receivables; and
- d) Available for sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in other comprehensive income or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in other comprehensive income/loss. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive income/loss and recognized in profit or loss.

The Company classified its cash and cash equivalents as FVTPL.

j) Financial liabilities

Financial liabilities are classified into one of two categories:

- a) Fair value through profit or loss; and
- b) Other financial liabilities.

Fair value through profit or loss

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes liabilities which are recognized at amortized cost.

Accounts payable and due to related party are classified as other financial liabilities, which are measured at amortized cost.

k) Impairment

Financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Impairment (continued)

occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets:

Non-financial assets with finite lives are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized in earnings or the results of discontinued operations, as appropriate, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). The Company evaluates impairment losses other than goodwill impairment, for potential reversals, when events or changes in circumstances warrant such consideration.

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

n) Income taxes

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the year-end date, and includes any adjustments to tax payable or receivable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax assets is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Accounting standards adopted effective February 1, 2013

The Company has adopted the following new accounting standards and interpretations effective February 1, 2013, there is no material impact to the Company from adoption of these standards and interpretations:

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

p) New accounting standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's condensed interim financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the condensed interim financial statements to be material.

IAS 32, Financial Instruments: Presentation

IAS 32, effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

LINGXIAN CAPITAL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- p) New accounting standards issued but not yet effective (continued)

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the impact of such changes on the condensed interim financial statements to be material.

4. RELATED PARTY TRANSACTIONS AND BALANCES

- a) Related party transactions:

As at July 31, 2014, the amount due to related party was \$Nil (January 31, 2014 - \$4,500). The \$4,500 due to related party amount at January 31, 2014 was to the Chief Executive Officer ("CEO") of the Company. The amount was unsecured, non-interest bearing and with no fixed terms of repayment.

- b) Key management compensation:

Key management includes directors and key officers of the Company, including the CEO and the Chief Financial Officer. There was no compensation paid to key management personnel for the period ended July 31, 2014 (2013 - \$Nil).

5. SHARE CAPITAL

- a) Authorized share capital:

As at July 31, 2014, the authorized share capital of the Company was an unlimited number of preferred shares without par value and an unlimited number of common shares without par value. All issued shares are fully paid.

- b) Issued share capital:

Upon incorporation on July 16, 2012, the Company issued one common share at \$0.05.

On November 19, 2013, the Company completed a non-brokered private placement of 1,999,999 common shares at \$0.05 per share for total cash proceeds of \$100,000.

On May 21, 2014, the Company completed its initial public offering (the "IPO") raising gross proceeds of \$400,000. A total of 4,000,000 common shares of the Company were issued at a price of \$0.10 per share pursuant to the final prospectus of the Company dated April 14, 2014. Pursuant to an amended and restated agency agreement dated April 8, 2014 between the Company and Leede Financial Market Inc. (the "Agent"), the Company paid to the Agent a cash commission equal to 10% of the gross proceeds and a corporate finance fee of \$8,000 plus taxes, reimbursed for its reasonable expenses and legal fees plus disbursements, and issued Agent's warrants to acquire up to 400,000 common shares at \$0.10 per share exercisable for a period of 24 months from the date the common shares of the Company are listed on the TSX-V. The warrants were valued at fair value of \$23,258.

LINGXIAN CAPITAL INC.**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

JULY 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

b) Issued share capital (continued):

In connection with IPO, the Company records a total of \$104,073 share issuance cost, which consists of \$40,000 agent commission, \$18,563 corporate finance and disbursement fees, \$22,252 legal fees, and \$23,258 fair value of agent warrants issued. As of January 31, 2014, the Company paid a \$9,200 retainer to the Agent and incurred legal fees of \$17,889, which were recorded as deferred financing costs as of January 31, 2014. Those costs were reclassified to share issuance costs at the completion of the IPO on May 21, 2014.

c) Stock option plan:

On November 25, 2013, the Company adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 10 years or such longer term as permitted by the TSX-V.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a term of five years and vest as determined by the board of directors.

On May 23, 2014, the Company granted 280,000 stock options to directors and officers at the closing of its IPO (see Note 5b). Each option will be exercisable into one common share of the Company at a price of \$0.10 per share for five years from the date of grant and the options will vest on the grant date. The options were valued at fair value of \$35,254.

The fair value of options issued in the period was estimated using the Black-Scholes option pricing model with the following assumptions at the issue date

	July 31, 2014	July 31, 2013
Risk-free interest rate	1.84%	-
Estimated volatility	112.5%	-
Expected life in years	5.00	-
Dividend yield	-	-

d) Stock warrants:

The warrants that are issued and outstanding as at July 31, 2014 are as follows:

Number of Warrants	Exercise Price	Expiration Date
400,000	\$0.10	May 23, 2016

The fair value of warrants issued in the period was estimated using the Black-Scholes option pricing model with the following assumptions at the issue date

LINGXIAN CAPITAL INC.**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

JULY 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

d) Stock option plan: (continued)

	July 31, 2014	July 31, 2013
Risk-free interest rate	1.84%	-
Estimated volatility	112.5%	-
Expected life in years	2.00	-
Dividend yield	-	-

6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at July 31, 2014, the Company's shareholders' equity was \$315,806 (January 31, 2014 - \$47,411). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company does not have any externally imposed capital requirements to which it is subject.

The capital for expansion was mostly from proceeds for subscription of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the process of identifying and completing a QT. Additional funds may be required to finance the Company's QT.

7. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

At July 31, 2014, the Company's financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of cash and cash equivalents is based on level 1 inputs of the fair value hierarchy.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents.

LINGXIAN CAPITAL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

7. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at July 31, 2014, the Company had a cash and cash equivalents of \$323,385 (January 31, 2014 - \$55,142) to settle current liabilities of \$7,579 (January 31, 2014 - \$34,820).

Interest rate risk

The Company has cash balances and is not exposed to any significant interest rate risk.

8. SUBSEQUENT EVENTS

On August 13, 2014, the Company has entered into a letter of intent (the "LOI") with Jinsili International Steel Holdings Co., Ltd. ("Jinsili"). The proposed transaction is intended to constitute the QT. Pursuant to the LOI, Company will issue not greater than 22,000,000 common shares at \$0.19 per share to shareholders of Jinsili to acquire all of the issued and outstanding securities of Jinsili, which will result in Jinsili becoming a wholly-owned subsidiary of the resulting issuer. The Company intends to complete a non-brokered private placement which will close concurrently with the closing of the transaction. The Company plans to issue an aggregate of 2,500,000 common shares at a price of \$0.20 per share for gross proceeds of \$500,000. Upon closing of the transaction, a finder's fee will be paid in 500,000 common shares of the resulting issuer at the deemed price of \$0.19 together with 500,000 non-transferable finder's warrants (the "Finder's Warrants"). Each of Finder's Warrants entitles the finder to purchase one additional common share of the resulting issuer at a price of \$0.19 for a period of two years from the date of the closing of the transaction.