



Nova LifeStyle Reports Second Quarter 2017 Financial Results

LOS ANGELES, CA – August 7, 2017 -- Nova LifeStyle, Inc. (NASDAQ: NVFY), a U.S. based fast-growing, innovative designer, manufacturer and distributor of modern LifeStyle furniture, today announced financial results for the second quarter ended June 30, 2017, highlighted by higher gross margins and a return to profitability.

Second Quarter 2017 Financial Highlights:

- Second quarter Net Sales were \$19.5 million, compared to \$19.7 million in the prior year period.
- Gross profit for the second quarter was \$3.5 million, compared to \$2.4 million in the prior year period.
- Second quarter Gross Margin was 17.8%, compared to 12.4% in the prior year period.
- Net Income of approximately \$0.56 million or \$0.02 per diluted share based on 27.5 million shares outstanding in the second quarter of 2017, compared to a net loss of \$0.69 million or (\$0.03) per diluted share based on 24.9 million shares outstanding in the prior year period.

Six Months 2017 Financial Highlights:

- Six-month Net Sales were \$37.6 million, a decrease of 10.9% compared to \$42.2 million in the prior year period.
- Gross profit for the six months ended June 30, 2017 was \$6.2 million, compared to \$6.1 million in the prior year period.
- Six-month Gross Margin was 16.4%, compared to 14.3% in the prior year period.
- Net loss of approximately \$0.65 million or (\$0.02) per diluted share based on 27.4 million shares outstanding in six months ended June 30, 2017, compared to a net loss of \$0.59 million or (\$0.02) per diluted share based on 24.6 million shares outstanding in the prior year period.

Operational Overview

Product Category

Nova LifeStyle's largest selling product categories in the three months ended June 30, 2017 were sofas, beds and coffee tables, which accounted for approximately 74%, 15% and 4% of sales, respectively. This was compared to the prior year period where the Company's largest selling product categories were sofas, dining tables and beds, which accounted for approximately 62%, 9% and 8% of sales respectively.

In order to drive growth, the Company is focused on the adoption of new image standards along with continued expansion of its product lines. The Company intends to pursue more opportunities associated with social media and e-commerce as a way to grow the business.

Geographic Breakdown

North America

Sales to North America were \$12.7 million in the three months ended June 30, 2017, a decrease of 0.5% from \$12.8 million in the same period of 2016. As a percentage of total revenue, North American sales remain the largest for Nova LifeStyle at 65.1%.

Asia

Sales to Asia, excluding Hong Kong, decreased by 37.2% to \$0.88 million in the three months ended June 30, 2017, as compared to \$1.4 million in the same period of 2016. This was due to a decrease in sales orders from customers in that region.

Australia

Sales to Australia increased to \$4.2 million in the three months ended June 30, 2017, an increase of 223% from \$1.3 million in the same period of 2016. This was primarily because of an increase of sales orders from satisfied customers who decided to purchase more products.

Geographical distribution of sales is set out as follows:

(US\$ in millions)	For three months ended June 30,			
	2017		2016	
	Sales	% of Total	Sales	% of Total
North America	\$12,727,804	65.1%	\$12,786,666	64.7%
Asia**	876,554	4.5%	1,395,321	7.1%
Europe	1,193,180	6.1%	3,907,954	19.8%
Australia	4,248,240	21.8%	1,315,280	6.7%
Hong Kong	461,943	2.4%	277,012	1.4%
Other countries	26,046	0.1%	58,814	0.3%
	\$19,533,767		\$19,741,047	%

Balance Sheet and Cash Flow Highlights

- Working capital at June 30, 2017 was \$58.7 million, compared to \$58.4 million at December 31, 2016.
- The current ratio at June 30, 2017 was 1.95 to 1.0.

The following is a summary of cash provided by or used in each of the indicated types of activities during the six months ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Cash (used in) provided by:		
Operating activities	\$ (1,992,861)	\$ (1,244,869)
Investing activities	8,247,868	(85,271)
Financing activities	(3,670,768)	993,287

Net cash used by operating activities was \$1.99 million in the six months ended June 30, 2017, compared to a cash outflow of \$1.24 million in the prior year period. This was primarily due to a reduction in accounts payable along with advances to suppliers offset by improved collection of accounts receivable and reduction of inventory.

About Nova LifeStyle

Nova LifeStyle, Inc., a NASDAQ Global Market listed company headquartered in California, is a fast growing, innovative designer, manufacturer and distributor of modern LifeStyle furniture; primarily sofas, dining rooms, cabinets, office furniture and related components, bedrooms, and various accessories in matching collections. Visit Nova's website: www.NovaLifeStyle.com.

Safe Harbor Statement

All statements in this press release that are not historical are forward-looking statements made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. There can be no assurance that actual results will not differ from the company's expectations. You are cautioned not to place undue reliance on any forward-looking statements in this press release as they reflect Nova's current expectations with respect to future events and are subject to risks and uncertainties that may cause actual results to differ materially from those contemplated. Potential risks and uncertainties include, but are not limited to, the risks described in Nova's filings with the Securities and Exchange Commission.

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NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Net Sales	\$ 37,590,789	\$ 42,210,054	\$ 19,533,767	\$ 19,741,047
Cost of Sales	<u>31,417,150</u>	<u>36,155,603</u>	<u>16,061,903</u>	<u>17,291,739</u>
Gross Profit	<u>6,173,639</u>	<u>6,054,451</u>	<u>3,471,864</u>	<u>2,449,308</u>
Operating Expenses				
Selling expenses	1,686,436	2,308,005	711,434	723,091
General and administrative expenses	<u>5,483,709</u>	<u>3,264,434</u>	<u>2,458,033</u>	<u>1,919,137</u>
Total Operating Expenses	<u>7,170,145</u>	<u>5,572,439</u>	<u>3,169,467</u>	<u>2,642,228</u>
(Loss) Income From Operations	<u>(996,506)</u>	<u>482,012</u>	<u>302,397</u>	<u>(192,920)</u>
Other Income (Expenses)				
Non-operating income (expense), net	797	24,371	797	11,970
Foreign exchange transaction loss	(230)	(2,297)	(190)	(1,248)
Interest expense, net	(92,161)	(144,667)	(37,755)	(72,233)
Financial expense	<u>(51,827)</u>	<u>(54,365)</u>	<u>(25,767)</u>	<u>(25,928)</u>
Total Other Expenses, Net	<u>(143,421)</u>	<u>(176,958)</u>	<u>(62,915)</u>	<u>(87,439)</u>
(Loss) Income Before Income Taxes and Discontinued operations	<u>(1,139,927)</u>	<u>305,054</u>	<u>239,482</u>	<u>(280,359)</u>
Income Tax (Benefit) Expense	<u>(488,003)</u>	<u>160,718</u>	<u>(317,984)</u>	<u>141,677</u>
(Loss) Income From Continuing Operations	<u>(651,924)</u>	<u>144,336</u>	<u>557,466</u>	<u>(422,036)</u>
Loss From Discontinued Operations, net of tax	<u>--</u>	<u>(732,979)</u>	<u>--</u>	<u>(263,736)</u>
Net (Loss) Income	<u>(651,924)</u>	<u>(588,643)</u>	<u>557,466</u>	<u>(685,772)</u>
Other Comprehensive Income				
Foreign currency translation	<u>--</u>	<u>(322,114)</u>	<u>--</u>	<u>(397,742)</u>
Comprehensive (Loss) Income	<u>\$ (651,924)</u>	<u>\$ (910,757)</u>	<u>\$ 557,466</u>	<u>\$ (1,083,514)</u>
Basic weighted average shares outstanding	<u>27,429,885</u>	<u>24,622,887</u>	<u>27,513,733</u>	<u>24,911,803</u>
Diluted weighted average shares outstanding	<u>27,429,885</u>	<u>24,622,887</u>	<u>27,516,902</u>	<u>24,911,803</u>
Income (loss) from continuing operations per share of common stock				
Basic	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>
Loss from discontinued operations per share of common stock				
Basic	<u>\$ --</u>	<u>\$ (0.03)</u>	<u>\$ --</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ --</u>	<u>\$ (0.03)</u>	<u>\$ --</u>	<u>\$ (0.01)</u>
Net (loss) income per share of common stock				
Basic	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.03)</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017 (UNAUDITED) AND DECEMBER 31, 2016

	June 30, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,171,982	\$ 2,587,743
Accounts receivable, net	31,601,120	42,102,761
Advance to suppliers	24,592,466	13,669,752
Inventories	2,013,003	2,781,123
Assignment fee receivable	--	1,250,000
Receivable from an unrelated party	--	7,000,000
Prepaid expenses and other receivables	710,929	642,891
Taxes receivable	14,894	14,893
Total Current Assets	<u>64,104,394</u>	<u>70,049,163</u>
Noncurrent Assets		
Plant, property and equipment, net	153,265	171,276
Lease deposit	43,260	43,260
Goodwill	218,606	218,606
Intangible assets, net	4,944,616	5,686,623
Deferred tax asset	1,523,720	874,759
Total Noncurrent Assets	<u>6,883,467</u>	<u>6,994,524</u>
Total Assets	<u>\$ 70,987,861</u>	<u>\$ 77,043,687</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 71,834	\$ 2,368,775
Line of credit	4,307,073	7,977,841
Advance from customers	16,396	513,880
Accrued liabilities and other payables	967,041	780,960
Total Current Liabilities	<u>5,362,344</u>	<u>11,641,456</u>
Noncurrent Liabilities		
Income tax payable	2,297,748	2,136,788
Total Noncurrent Liabilities	<u>2,297,748</u>	<u>2,136,788</u>
Total Liabilities	<u>7,660,092</u>	<u>13,778,244</u>
Contingencies and Commitments		
Stockholders' Equity		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 27,767,905 and 27,309,695 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	27,768	27,309
Additional paid-in capital	37,599,253	36,885,462
Statutory reserves	6,241	6,241
Retained earnings	25,694,507	26,346,431
Total Stockholders' Equity	<u>63,327,769</u>	<u>63,265,443</u>
Total Liabilities and Stockholders' Equity	<u>\$ 70,987,861</u>	<u>\$ 77,043,687</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	
Cash Flows From Operating Activities		
Net (loss) income from continuing operations	\$ (651,924)	\$ 144,336
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	762,150	310,851
Deferred tax benefit	(648,961)	--
Stock compensation expense	913,264	938,501
Changes in bad debt allowance	504,324	(18,477)
Changes in operating assets and liabilities:		
Accounts receivable	9,997,317	1,602,326
Advance to suppliers	(10,922,714)	(6,761,289)
Inventories	768,120	(75,326)
Other current assets	(267,052)	152,260
Accounts payable	(2,296,941)	2,162,024
Advance from customers	(497,484)	926,231
Accrued expenses and other payables	186,081	(538,652)
Taxes payable	160,959	153,520
Net Cash Used in Continuing Operations	(1,992,861)	(1,003,695)
Net Cash Used in Discontinued Operations	--	(241,174)
Net Cash Used in Operating Activities	(1,992,861)	(1,244,869)
Cash Flows From Investing Activities		
Assignment fee received	1,250,000	--
Purchase of property and equipment	(2,132)	(3,544)
Advances to unrelated parties	(8,835,000)	--
Repayment from unrelated parties	15,835,000	--
Net Cash Provided by (Used in) Continuing Operations	8,247,868	(3,544)
Net Cash Used in Discontinued Operations	--	(81,727)
Net Cash Provided by (Used in) Investing Activities	8,247,868	(85,271)
Cash Flows From Financing Activities		
Proceeds from line of credit and bank loan	23,094,342	19,758,074
Repayment to line of credit and bank loan	(26,765,110)	(19,086,365)
Net Cash (Used in) Provided by Continuing Operations	(3,670,768)	671,709
Net Cash Provided by Discontinued Operations	--	321,578
Net Cash (Used in) Provided by Financing Activities	(3,670,768)	993,287
Effect of Exchange Rate Changes on Cash and Cash Equivalents	--	(1,746)
Net increase (decrease) in cash and cash equivalents	2,584,239	(338,599)
Cash and cash equivalents, beginning of period	2,587,743	988,029
Cash and cash equivalents, end of period	\$ 5,171,982	\$ 649,430

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	
Analysis of cash and cash equivalents		
Included in cash and cash equivalents per consolidated balance sheets	\$ 5,171,982	\$ 584,339
Included in assets of discontinued operations	-	65,091
Cash and cash equivalents, end of period	<u>\$ 5,171,982</u>	<u>\$ 649,430</u>
 Supplemental Disclosure of Cash Flow Information		
Continuing operations:		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ 7,200</u>
Interest expense	<u>\$ 118,753</u>	<u>\$ 144,668</u>
Discontinued operations:		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ --</u>
Interest expense	<u>\$ --</u>	<u>\$ 86,164</u>