



Nova LifeStyle Announces Record 3rd Quarter 2017 Financial Results; Net Income up Nearly 900%, Anticipates Growth Momentum to Continue into 2018

LOS ANGELES, November 13, 2017-- **Nova LifeStyle, Inc.** (Nasdaq: [NVFY](#)) ("Nova LifeStyle" or the "Company"), a California-based innovative designer and distributor of modern lifestyle household consumer products is pleased to announce record third quarter financial results for the quarter ended September 30, 2017.

Third Quarter 2017 Financial Results, Significantly Expanded Net Profit Margins

- Net income \$2.96 million or \$0.11 per share (\$0.11 fully diluted), an increase of nearly 900% compared to \$0.3 million or \$0.01 per share (\$0.01 fully diluted) net income in the third quarter of 2016
- Increase in net sales of 8.8% to \$33.2 million compared to \$30.5 million in the same period of 2016
- Gross profit margin improved to 18% on average, an increase of approximately 3% compared to the third quarter of 2016
- Over a 200% increase of new product offerings combined with innovative product designs contributed to significant growth in the quarter
- Growth momentum to continue into 4th quarter 2017 and 2018
- Strong customer demand across nearly all product lines
- Healthy balance sheet and cash flow

Management Comment

Tawny Lam, Chief Executive Officer of Nova LifeStyle commented: "We are pleased to have delivered stellar financial results. Nova LifeStyle's third quarter financial performance reflects the results of our successful transformation from an 'asset heavy' furniture-manufacturing business to a 'light asset,' high margin, consumer product company focused on innovative product designs and customer-centric marketing. 2017 is Nova LifeStyle's Diamond Sofa brand's 25th year in business and with a record number of new product SKUs as well as a rapidly expanding, diversified global customer base, Nova LifeStyle is poised for significant growth for years to come."

Guidance and Outlook

Ms. Lam concluded: "We continue to see consistent growth leading into the 4th quarter as well as 2018. If this continues, we hope to initiate stock buybacks or start paying cash dividends in the near future to reward our long-term shareholders, as a way to maximize customer and shareholder value."

About Nova LifeStyle

Nova LifeStyle, Inc., a NASDAQ Global Markets Exchange listed company headquartered in California, is a fast growing, innovative designer and distributor of modern LifeStyle furniture; primarily sofas, dining rooms, cabinets, office furniture and related components, bedrooms, and various accessories in matching collections. Nova's products are made in the US, Europe, and Asia and include LifeStyle brands such as Diamond Sofa, Nova QwiK, and Bright Swallow International. Nova's products feature urban contemporary styles that integrate comfort and functionality incorporating upscale luxury designs appealing to LifeStyle-conscious middle and upper middle-income consumers in the U.S., China, Europe, and elsewhere in the world. To learn more about Nova LifeStyle, Inc., please visit our website at 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 NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Net Sales	\$ 70,813,414	\$ 72,748,972	\$ 33,222,625	\$ 30,538,918
Cost of Sales	<u>58,741,122</u>	<u>62,091,435</u>	<u>27,323,972</u>	<u>25,935,832</u>
Gross Profit	<u>12,072,292</u>	<u>10,657,537</u>	<u>5,898,653</u>	<u>4,603,086</u>
Operating Expenses				
Selling expenses	2,690,342	4,358,206	1,003,906	2,050,201
General and administrative expenses	<u>7,608,323</u>	<u>4,756,118</u>	<u>2,124,614</u>	<u>1,491,684</u>
Total Operating Expenses	<u>10,298,665</u>	<u>9,114,324</u>	<u>3,128,520</u>	<u>3,541,885</u>
(Loss) Income From Operations	<u>1,773,627</u>	<u>1,543,213</u>	<u>2,770,133</u>	<u>1,061,201</u>
Other Income (Expenses)				
Non-operating income (expense), net	797	40,994	--	16,623
Foreign exchange transaction loss	(324)	(5,578)	(94)	(3,281)
Interest expense, net	(133,093)	(241,202)	(40,932)	(96,535)
Financial expense	<u>(86,335)</u>	<u>(88,098)</u>	<u>(34,508)</u>	<u>(33,733)</u>
Total Other Expenses, Net	<u>(218,955)</u>	<u>(293,884)</u>	<u>(75,534)</u>	<u>(116,926)</u>
(Loss) Income Before Income Taxes and Discontinued operations	<u>(1,554,672)</u>	<u>1,249,329</u>	<u>2,694,599</u>	<u>944,275</u>
Income Tax (Benefit) Expense	<u>(750,037)</u>	<u>60,063</u>	<u>(262,034)</u>	<u>(100,656)</u>
(Loss) Income From Continuing Operations	<u>2,304,709</u>	<u>1,189,266</u>	<u>2,956,633</u>	<u>1,044,931</u>
Loss From Discontinued Operations, net of tax	<u>--</u>	<u>(1,476,572)</u>	<u>--</u>	<u>(743,594)</u>
Net (Loss) Income	<u>2,304,709</u>	<u>(287,306)</u>	<u>2,956,633</u>	<u>301,337</u>
Other Comprehensive Income				
Foreign currency translation	<u>--</u>	<u>(420,752)</u>	<u>--</u>	<u>(98,638)</u>
Comprehensive (Loss) Income	<u>\$ 2,304,709</u>	<u>\$ (708,058)</u>	<u>\$ 2,956,633</u>	<u>\$ 202,699</u>
Basic weighted average shares outstanding	<u>27,570,425</u>	<u>24,937,069</u>	<u>27,846,921</u>	<u>25,558,604</u>
Diluted weighted average shares outstanding	<u>27,704,406</u>	<u>24,937,069</u>	<u>27,980,629</u>	<u>25,558,604</u>
Income (loss) from continuing operations per share of common stock				
Basic	<u>\$ 0.08</u>	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ 0.04</u>
Loss from discontinued operations per share of common stock				
Basic	<u>\$ --</u>	<u>\$ (0.06)</u>	<u>\$ --</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ --</u>	<u>\$ (0.06)</u>	<u>\$ --</u>	<u>\$ (0.03)</u>
Net (loss) income per share of common stock				
Basic	<u>\$ 0.08</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.08</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ 0.01</u>

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

	September 30, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 802,037	\$ 2,587,743
Accounts receivable, net	36,938,819	42,102,761
Advance to suppliers	21,951,040	13,669,752
Inventories	6,720,649	2,781,123
Assignment fee receivable	--	1,250,000
Receivable from an unrelated party	--	7,000,000
Prepaid expenses and other receivables	315,833	642,891
Taxes receivable	14,094	14,893
Total Current Assets	<u>66,742,472</u>	<u>70,049,163</u>
Noncurrent Assets		
Plant, property and equipment, net	158,412	171,276
Lease deposit	43,260	43,260
Goodwill	218,606	218,606
Intangible assets, net	4,573,612	5,686,623
Deferred tax asset	1,498,631	874,759
Total Noncurrent Assets	<u>6,492,521</u>	<u>6,994,524</u>
Total Assets	<u><u>\$ 73,234,993</u></u>	<u><u>\$ 77,043,687</u></u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 162,147	\$ 2,368,775
Line of credit	-	7,977,841
Advance from customers	19,298	513,880
Accrued liabilities and other payables	726,501	780,960
Total Current Liabilities	<u>907,946</u>	<u>11,641,456</u>
Noncurrent Liabilities		
Line of Credit	3,322,040	-
Income tax payable	2,009,825	2,136,788
Total Noncurrent Liabilities	<u>5,331,865</u>	<u>2,136,788</u>
Total Liabilities	<u>6,239,811</u>	<u>13,778,244</u>
Contingencies and Commitments		
Stockholders' Equity		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 27,909,843 and 27,309,695 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	27,910	27,309
Additional paid-in capital	38,309,891	36,885,462
Statutory reserves	6,241	6,241
Retained earnings	28,651,140	26,346,431
Total Stockholders' Equity	<u>66,995,182</u>	<u>63,265,443</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 73,234,993</u></u>	<u><u>\$ 77,043,687</u></u>

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

	Nine Months Ended September 30,	
	2017	2016
	(Unaudited)	
Cash Flows From Operating Activities		
Net (loss) income from continuing operations	\$ 2,304,709	\$ 1,189,266
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,143,319	462,194
Deferred tax benefit	(623,872)	--
Stock compensation expense	1,773,537	1,216,765
Changes in bad debt allowance	203,905	33,818
Changes in operating assets and liabilities:		
Accounts receivable	4,960,037	(558,573)
Advance to suppliers	(8,281,288)	(3,613,765)
Inventories	(3,939,526)	241,611
Other current assets	(21,452)	(711,727)
Accounts payable	(2,206,628)	129,278
Advance from customers	(494,582)	584,968
Accrued expenses and other payables	(54,458)	(325,799)
Taxes payable	(126,163)	52,864
Net Cash Used in Continuing Operations	(5,362,462)	(1,299,100)
Net Cash Used in Discontinued Operations	--	(166,148)
Net Cash Used in Operating Activities	(5,362,462)	(1,465,248)
Cash Flows From Investing Activities		
Assignment fee received	1,250,000	--
Purchase of property and equipment	(17,443)	(7,272)
Cash received from buyer	--	5,500,000
Advances to unrelated parties	(8,835,000)	--
Repayment from unrelated parties	15,835,000	--
Net Cash Provided by (Used in) Continuing Operations	8,232,557	5,492,728
Net Cash Used in Discontinued Operations	--	(218,170)
Net Cash Provided by (Used in) Investing Activities	8,232,557	5,274,558
Cash Flows From Financing Activities		
Proceeds from line of credit and bank loan	36,881,842	29,828,074
Repayment to line of credit and bank loan	(41,537,643)	(29,301,699)
Proceeds from warrants exercised	--	203,250
Net Cash (Used in) Provided by Continuing Operations	(4,655,801)	729,625
Net Cash Provided by Discontinued Operations	--	319,762
Net Cash (Used in) Provided by Financing Activities	(4,655,801)	1,049,387
Effect of Exchange Rate Changes on Cash and Cash Equivalents	--	(3,128)
Net increase (decrease) in cash and cash equivalents	(1,785,706)	4,855,569
Cash and cash equivalents, beginning of period	2,587,743	988,029
Cash and cash equivalents, end of period	\$ 802,037	\$ 5,843,598

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

	Nine Months Ended September 30, 2017	2016
	(Unaudited)	
Analysis of cash and cash equivalents		
Included in cash and cash equivalents per consolidated balance sheets	\$ 802,037	\$ 5,718,601
Included in assets of discontinued operations	-	124,997
Cash and cash equivalents, end of period	<u>\$ 802,037</u>	<u>\$ 5,843,598</u>
 Supplemental Disclosure of Cash Flow Information		
Continuing operations:		
Cash paid during the period for:		
Income tax payments	\$ --	\$ 7,200
Interest expense	<u>\$ 159,686</u>	<u>\$ 371,036</u>
Discontinued operations:		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ --</u>
Interest expense	<u>\$ --</u>	<u>\$ --</u>