



Nova LifeStyle Reports Outstanding Fourth Quarter and Full Year 2017 Financial Results, Highlighted by Q4 pre-tax EPS of \$0.18

LOS ANGELES, CA – March 29, 2018 -- Nova LifeStyle, Inc. (NASDAQ: NVFY), a leading U.S.-based, innovative designer and distributor of modern LifeStyle home products, today announced outstanding financial results for the fourth quarter and twelve months ended December 31, 2017.

Fourth Quarter 2017 Financial Highlights:

- Fourth quarter revenues were \$35.7 million, up 79.3%, compared to \$19.9 million in the prior year period.
- Gross profit for the fourth quarter was \$8.3 million, up 186%, compared to \$2.9 million in the prior year period.
- Fourth quarter Gross Margin was 23.4%, compared to 14.4% in the prior year period due to increased sales from uniquely designed, premium items.
- Income Before Income Taxes and Discontinuing Operations was \$5.0 million, or \$0.18 per diluted share.

Full Year 2017 Financial Highlights:

- Net Sales were \$106.5 million, an increase of 14.9% compared to the prior year.
- Sales from high margin, proprietarily designed, premium products increased 71% in average selling prices.
- Gross profit was \$20.4 million, an increase of 51% versus the prior year period.
- Profit margins expanded across nearly all product lines, benefiting from the Company's adaption to trendy product designs and successful launches of a wide range of high-quality offerings.
- Income Before Income Taxes and Discontinuing Operations was \$6.5 million, or \$0.23 per diluted share, compared to a loss before income taxes and discontinuing operations of \$(1.1) million, or \$(0.04) per diluted share in the prior year.
- Booked a one-time transition tax charge of \$3.3 million (or \$0.12 per share) in the fourth quarter for full year 2017 as a result of the recently enacted Tax Cuts and Jobs Act of 2017, based on the deemed repatriation to the United States of the Company's share of previously deferred earnings of its non-U.S. subsidiaries.
- For the full year 2017, GAAP-Net Income was \$3.8 million (after the one-time tax impact of \$0.12 per share), or \$0.14 per fully diluted share, compared to a net loss of \$(1.1) million or \$(0.01) per diluted share in the prior year period.

Management Commentary

Tawny Lam, Chief Executive Officer of Nova LifeStyle, commented, "Nova LifeStyle is pleased to announce outstanding 2017 financial results capped off by a fantastic fourth quarter. We anticipate the recently enacted U.S. tax law will bring considerable benefit to the Company going forward as our U.S. domestic sales are expected to expand rapidly. We have focused on trendy designed, high-end products in our catalogues, which are generating large orders from global customers, including those from as far as in Australia. Our growth is driven by increased customer interest towards our modern lifestyle furnishing solutions and increased online and mobile marketing efforts launched by the Company. Our drive towards uniquely designed, premium product mix since 2016 started to really pay off in 2017 as we experienced both record revenue growth and expanded profit margins."

Outlook for 2018: Revenues and Earnings Growth Momentum to Continue

Ms. Lam continued, "Nova LifeStyle entered 2018 with continuing growth momentum. We had a very successful Las Vegas Market show in late January 2018. The event featured attendance levels and customer interest not seen in many years, which reflects an uptrend for the entire home furnishings industry. We are seeing strong interest in our products such as the 'Hollywood Glam' collection, which has generated orders from customers throughout the United States and internationally. Our three-decades of experience learned from designing and marketing products for international markets has enabled us to develop the scale, logistics, marketing efficiency and design expertise that will serve our customers well in 2018 and beyond. We focus on designing and producing furnishing solutions that meet our changing customers' lifestyles, adopting the latest design innovation and deeper brand penetration for our own Diamond Sofa brand. We are expecting robust sales and significant earnings growth in 2018."

\$5 Million Share Repurchase Program to Initiate in 2018

The Company anticipates executing on the previously announced \$5 million share repurchase program in 2018 through internal funding sources.

About Nova LifeStyle

Nova LifeStyle, Inc., a NASDAQ Global Market listed company headquartered in California and founded nearly 30 years ago, is a fast growing, innovative designer and distributor of modern LifeStyle residential and commercial furniture products: 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 that 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 appeals to middle and upper middle-income consumers in the U.S., China, Europe, and elsewhere in the world. Visit Nova LifeStyle's 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)

| | Years Ended December 31, | | Three Months Ended December 31, | |
|---|--------------------------|-----------------------|---------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (audited) | (audited) | (unaudited) | (Unaudited) |
| Net Sales | \$ 106,494,132 | \$ 92,648,195 | \$ 35,680,718 | \$ 19,899,223 |
| Cost of Sales | <u>86,072,895</u> | <u>79,124,451</u> | <u>27,331,773</u> | <u>17,033,016</u> |
| Gross Profit | <u>20,421,237</u> | <u>13,523,744</u> | <u>8,348,945</u> | <u>2,866,207</u> |
| Operating Expenses | | | | |
| Selling expenses | 4,131,772 | 5,324,270 | 1,441,430 | 966,064 |
| General and administrative expenses | <u>9,485,595</u> | <u>8,965,566</u> | <u>1,877,272</u> | <u>4,209,448</u> |
| Total Operating Expenses | <u>13,617,367</u> | <u>14,289,836</u> | <u>3,318,702</u> | <u>5,175,512</u> |
| Income (Loss) From Operations | <u>6,803,870</u> | <u>(766,092)</u> | <u>5,030,243</u> | <u>(2,309,305)</u> |
| Other Income (Expenses) | | | | |
| Non-operating (income) expense, net | 797 | 46,717 | -- | 5,723 |
| Foreign exchange transaction loss | (381) | (6,386) | (57) | (808) |
| Interest expense | (174,316) | (283,795) | (41,223) | (42,593) |
| Financial expense | <u>(105,546)</u> | <u>(119,100)</u> | <u>(19,211)</u> | <u>(31,002)</u> |
| Total Other Expenses, Net | <u>(279,446)</u> | <u>(362,564)</u> | <u>(60,491)</u> | <u>(68,680)</u> |
| Income (Loss) Before Income Taxes and Discontinuing operations | 6,524,424 | (1,128,656) | 4,969,752 | (2,377,985) |
| Income Tax (Benefit) Expense | <u>2,759,813</u> | <u>(836,620)</u> | <u>3,509,850</u> | <u>(896,683)</u> |
| Income (Loss) From Continuing Operations | 3,764,611 | (292,036) | 1,459,902 | (1,481,302) |
| Loss from Discontinued Operations, net of tax | <u>--</u> | <u>(826,217)</u> | <u>--</u> | <u>650,355</u> |
| Net Income (Loss) | 3,764,611 | (1,118,253) | 1,459,902 | (830,947) |
| Other Comprehensive Income (Loss) | | | | |
| Release of foreign currency translation adjustments upon disposal of subsidiaries | -- | 836,014 | -- | 836,014 |
| Foreign currency translation | <u>--</u> | <u>(734,520)</u> | <u>--</u> | <u>(313,768)</u> |
| Comprehensive Income (Loss) | <u>\$ 3,764,611</u> | <u>\$ (1,016,759)</u> | <u>\$ 1,459,902</u> | <u>\$ (308,701)</u> |
| Basic weighted average shares outstanding | <u>27,677,935</u> | <u>25,432,037</u> | <u>27,677,935</u> | <u>25,432,037</u> |
| Diluted weighted average shares outstanding | <u>27,755,863</u> | <u>25,432,037</u> | <u>27,755,863</u> | <u>25,432,037</u> |
| Income (loss) from continuing operations per share of common stock | | | | |
| Basic | <u>\$ 0.14</u> | <u>\$ (0.01)</u> | <u>\$ 0.05</u> | <u>\$ (0.06)</u> |
| Diluted | <u>\$ 0.14</u> | <u>\$ (0.01)</u> | <u>\$ 0.05</u> | <u>\$ (0.06)</u> |
| Income (loss) from discontinuing operations per share of common stock | | | | |
| Basic | <u>\$ --</u> | <u>\$ (0.03)</u> | <u>\$ --</u> | <u>\$ 0.03</u> |
| Diluted | <u>\$ --</u> | <u>\$ (0.03)</u> | <u>\$ --</u> | <u>\$ 0.03</u> |
| Net Income (loss) per share of common stock | | | | |
| Basic | <u>\$ 0.14</u> | <u>\$ (0.04)</u> | <u>\$ 0.05</u> | <u>\$ (0.03)</u> |
| Diluted | <u>\$ 0.14</u> | <u>\$ (0.04)</u> | <u>\$ 0.05</u> | <u>\$ (0.03)</u> |

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,722,716 | \$ 2,587,743 |
| Accounts receivable, net | 54,006,513 | 42,102,761 |
| Advance to suppliers | 8,580,609 | 13,669,752 |
| Inventories | 6,374,560 | 2,781,123 |
| Assignment fee receivable (Note 3) | -- | 1,250,000 |
| Receivable from an unrelated party (Note 7) | -- | 7,000,000 |
| Prepaid expenses and other receivables | 232,935 | 642,891 |
| Taxes receivable | -- | 14,893 |
| Total Current Assets | <u>74,917,333</u> | <u>70,049,163</u> |
| Noncurrent Assets | | |
| Plant, property and equipment, net | 157,246 | 171,276 |
| Lease deposit | 43,260 | 43,260 |
| Goodwill | 218,606 | 218,606 |
| Intangible assets, net | 4,202,608 | 5,686,623 |
| Deferred tax asset | 318,961 | 874,759 |
| Total Noncurrent Assets | <u>4,940,681</u> | <u>6,994,524</u> |
| Total Assets | <u><u>\$ 79,858,014</u></u> | <u><u>\$ 77,043,687</u></u> |

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,634,554 | \$ 2,368,775 |
| Line of credit | - | 7,977,841 |
| Advance from customers | 19,826 | 513,880 |
| Accrued liabilities and other payables | 847,756 | 780,960 |
| Income tax payable | 178,307 | -- |
| Total Current Liabilities | <u>2,680,443</u> | <u>11,641,456</u> |
| Noncurrent Liabilities | | |
| Line of credit | 4,202,118 | - |
| Income tax payable | 4,527,849 | 2,136,788 |
| Total Noncurrent Liabilities | <u>8,729,967</u> | <u>2,136,788</u> |
| Total Liabilities | <u>11,410,410</u> | <u>13,778,244</u> |
| Contingencies and Commitments | | |
| Stockholders' Equity | | |
| Common stock, \$0.001 par value; 75,000,000 shares authorized, 28,191,927 and 27,309,695 shares issued and outstanding as of December 31, 2017 and 2016, respectively | 28,192 | 27,309 |
| Additional paid-in capital | 38,682,377 | 36,885,462 |
| Statutory reserves | 6,241 | 6,241 |
| Retained earnings | 29,730,794 | 26,346,431 |
| Total Stockholders' Equity | <u>68,447,604</u> | <u>63,265,443</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 79,858,014</u> | <u>\$ 77,043,687</u> |

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Net income (loss) from continuing operations | \$ 3,764,611 | \$ (292,036) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 1,524,863 | 603,155 |
| Deferred tax benefit | 555,798 | (813,760) |
| Stock compensation expense | 2,175,973 | 1,637,362 |
| Changes in bad debt allowance | 305,519 | 2,603,745 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (12,209,271) | (2,022,248) |
| Advance to suppliers | 5,089,143 | (5,733,611) |
| Inventories | (3,593,437) | (266,804) |
| Other current assets | 16,832 | 298,115 |
| Accounts payable | (734,221) | (3,856,326) |
| Advance from customers | (494,054) | 450,091 |
| Accrued liabilities and other payables | 81,744 | (710,327) |
| Taxes payable | 2,584,262 | (30,060) |
| Net Cash Used in Continuing Operations | (1,312,486) | (8,132,704) |
| Net Cash Provided by Discontinued Operations | -- | 1,711,201 |
| Net Cash Used in Operating Activities | (1,312,486) | (6,421,503) |
| Cash Flows From Investing Activities | | |
| Assignment fee received | 1,250,000 | - |
| Purchase of property and equipment | (26,818) | (13,494) |
| Proceeds from disposal of subsidiaries, net of \$43,873 of cash disposed of | -- | 13,206,127 |
| Advances to unrelated parties | (8,835,000) | (7,000,000) |
| Repayment from unrelated parties | 15,835,000 | - |
| Net Cash Provided by Continuing Operations | 8,223,182 | 6,192,633 |
| Net Cash Used in Discontinued Operations | -- | (94,231) |
| Net Cash Provided by Investing Activities | 8,223,182 | 6,098,402 |
| Cash Flows From Financing Activities | | |
| Proceeds from line of credit and bank loan | 48,674,442 | 44,405,074 |
| Repayment to line of credit and bank loan | (52,450,165) | (43,934,591) |
| Proceeds from options and warrants exercised | -- | 3,093,918 |
| Net Cash (Used in) Provided by Continuing Operations | (3,775,723) | 3,564,401 |
| Net Cash Used in Discontinued Operations | - | (1,638,747) |
| Net Cash (Used in) Provided by Financing Activities | (3,775,723) | 1,925,654 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | - | (2,839) |
| Net increase in cash and cash equivalents | 3,134,973 | 1,599,714 |
| Cash and cash equivalents, beginning of period | 2,587,743 | 988,029 |
| Cash and cash equivalents, end of period | <u>\$ 5,722,716</u> | <u>\$ 2,587,743</u> |

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| Analysis of cash and cash equivalents | | |
| Included in cash and cash equivalents per consolidated balance sheets | \$ 5,722,716 | \$ 2,587,743 |
| Included in assets of discontinued operations | - | - |
| Cash and cash equivalents, end of period | <u><u>\$ 5,722,716</u></u> | <u><u>\$ 2,587,743</u></u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Continuing operations: | | |
| Cash paid during the period for: | | |
| Income tax payments | <u><u>\$ --</u></u> | <u><u>\$ 7,200</u></u> |
| Interest expense | <u><u>\$ 185,860</u></u> | <u><u>\$ 282,951</u></u> |
| Discontinued operations: | | |
| Cash paid during the period for: | | |
| Income tax payments | <u><u>\$ --</u></u> | <u><u>\$ --</u></u> |
| Interest paid | <u><u>\$ --</u></u> | <u><u>\$ 145,645</u></u> |