



Nova LifeStyle Announces First Quarter Financial Results

*Highlighted By a 237% Increase in Net Income and Significant Profit Margin Expansion,
Record Sales from Uniquely Designed, Premium Items*

LOS ANGELES, CA – May 14, 2018 -- Nova LifeStyle, Inc. (NASDAQ: NVFY), a leading U.S.-based, innovative designer and distributor of modern LifeStyle home products, today announced financial results for the first quarter ended March 31, 2018.

First Quarter 2018 Financial Highlights (*all comparisons are to the same period of the prior year*):

- First quarter revenues were \$22.3 million, up 23.5%, compared to \$18.1 million.
- Net income in the first quarter of 2018 was \$1.6 million, or \$0.06 per diluted share, compared with a net loss of \$(1.2) million in the first quarter of 2017, resulting in an EPS loss of \$(0.04).
- Gross profit for the first quarter was \$4.9 million, up 81.4%, compared to \$2.7 million.
- First quarter Gross Margin was 22.0%, compared to 15.0% in the prior year period due as the Company continued to drive its sales mix to favor higher-margin, premium products.
- U.S. domestic sales to major online outlets continue to expand rapidly, benefiting from recent U.S. tax law changes.
- Anticipate robust sales and earnings growth throughout 2018.

Management Commentary

Tawny Lam, Chief Executive Officer of Nova LifeStyle, commented, "Nova Lifestyle is pleased to announce fantastic first quarter 2018 financial results. Since the beginning of 2018, Nova LifeStyle's focus on marketing trendy designed, high-end products in our catalogues has attracted large orders from global customers. Our outstanding financial results are driven by sales increase across nearly all product categories, with online sales continuing to anchor our growth. This was a well-executed quarter with plenty of growth opportunities going forward."

"Nova LifeStyle entered 2018 with strong growth momentum. We have the latest product designs and deeper brand penetration for our popular Diamond Sofa brand. Since the Company was founded nearly 30 years ago, Diamond sofa has continued to innovate with new product offerings. We anticipate significant earnings growth in 2018."

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
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)

	Three Months Ended March 31, 2018	2017
Net Sales	\$ 22,303,472	\$ 18,057,022
Cost of Sales	<u>17,401,930</u>	<u>15,355,247</u>
Gross Profit	<u>4,901,542</u>	<u>2,701,775</u>
Operating Expenses		
Selling expenses	631,153	975,002
General and administrative expenses	<u>2,305,673</u>	<u>3,025,676</u>
Total Operating Expenses	<u>2,936,826</u>	<u>4,000,678</u>
Income (Loss) From Operations	<u>1,964,716</u>	<u>(1,298,903)</u>
Other Income (Expenses)		
Foreign exchange transaction loss	(136)	(40)
Interest expense, net	(31,582)	(54,406)
Financial expense	<u>(30,720)</u>	<u>(26,060)</u>
Total Other Expenses, Net	<u>(62,438)</u>	<u>(80,506)</u>
Income (Loss) Before Income Taxes	1,902,278	(1,379,409)
Income Tax Expense (Benefit)	<u>247,257</u>	<u>(170,019)</u>
Net Income (Loss) and Comprehensive Income (Loss)	<u>\$ 1,655,021</u>	<u>\$ (1,209,390)</u>
Basic weighted average shares outstanding	<u>28,253,115</u>	<u>27,345,106</u>
Diluted weighted average shares outstanding	<u>28,693,479</u>	<u>27,345,106</u>
Net income (loss) per share of common stock		
Basic	<u>\$ 0.06</u>	<u>\$ (0.04)</u>
Diluted	<u>\$ 0.06</u>	<u>\$ (0.04)</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018 (UNAUDITED) AND DECEMBER 31, 2017

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,121,170	\$ 5,722,716
Accounts receivable, net	54,625,956	54,006,513
Advance to suppliers	10,762,192	8,580,609
Inventories	6,220,820	6,374,560
Prepaid expenses and other receivables	171,197	232,935
Total Current Assets	<u>72,901,335</u>	<u>74,917,333</u>
Noncurrent Assets		
Plant, property and equipment, net	158,405	157,246
Lease deposit	43,260	43,260
Goodwill	218,606	218,606
Intangible assets, net	4,100,932	4,202,608
Deferred tax asset	318,961	318,961
Total Noncurrent Assets	<u>4,840,164</u>	<u>4,940,681</u>
Total Assets	<u>\$ 77,741,499</u>	<u>\$ 79,858,014</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,338,898	\$ 1,634,554
Advance from customers	43,221	19,826
Accrued liabilities and other payables	733,362	847,756
Income tax payable	393,861	178,307
Total Current Liabilities	<u>2,509,342</u>	<u>2,680,443</u>
Noncurrent Liabilities		
Line of credit	-	4,202,118
Income tax payable	4,559,553	4,527,849
Total Noncurrent Liabilities	<u>4,559,553</u>	<u>8,729,967</u>
Total Liabilities	<u>7,068,895</u>	<u>11,410,410</u>
Contingencies and Commitments		
Stockholders' Equity		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 28,301,738 and 27,309,695 shares issued and outstanding; as of March 31, 2018 and December 31, 2017, respectively	28,302	28,192
Additional paid-in capital	39,252,246	38,682,377
Statutory reserves	6,241	6,241
Retained earnings	31,385,815	29,730,794
Total Stockholders' Equity	<u>70,672,604</u>	<u>68,447,604</u>
Total Liabilities and Stockholders' Equity	<u>\$ 77,741,499</u>	<u>\$ 79,858,014</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ 1,655,021	\$ (1,209,390)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	112,017	381,119
Deferred tax benefit	31,704	(188,117)
Stock compensation expense	595,677	449,889
Termination cost on Academic E-commerce platform (Note 6)	--	800,000
Changes in bad debt allowance	321,970	324,684
Changes in operating assets and liabilities:		
Accounts receivable	(941,413)	16,614,186
Advance to suppliers	(2,181,584)	(7,444,924)
Inventories	153,740	489,152
Other current assets	35,452	112,991
Accounts payable	(295,656)	(1,458,241)
Advance from customers	23,395	21,529
Accrued liabilities and other payables	(113,806)	(151,606)
Taxes payable	215,554	18,097
Net Cash (Used in) Provided by Operating Activities	<u>(387,929)</u>	<u>8,759,369</u>
Cash Flows From Investing Activities		
Assignment fee received	--	1,250,000
Purchase of property and equipment	(11,499)	(2,132)
Advances to unrelated parties	--	(8,835,000)
Net Cash Used in Investing Activities	<u>(11,499)</u>	<u>(7,587,132)</u>
Cash Flows From Financing Activities		
Proceeds from line of credit and bank loan	15,923,479	15,469,342
Repayment to line of credit and bank loan	(20,125,597)	(18,939,032)
Net Cash Used in Financing Activities	<u>(4,202,118)</u>	<u>(3,469,690)</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)

	Three Months Ended March 31, 2018	2017
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-	-
Net decrease in cash and cash equivalents	(4,601,546)	(2,297,453)
Cash and cash equivalents, beginning of period	<u>5,722,716</u>	<u>2,587,743</u>
Cash and cash equivalents, end of period	<u>\$ 1,121,170</u>	<u>\$ 290,290</u>
Analysis of cash and cash equivalents		
Included in cash and cash equivalents per consolidated balance sheets	<u>1,121,170</u>	<u>290,290</u>
Cash and cash equivalents, end of period	<u>\$ 1,121,170</u>	<u>\$ 290,290</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ --</u>
Interest paid	<u>\$ 31,582</u>	<u>\$ 54,406</u>