



## **Nova LifeStyle Reports First Quarter 2017 Financial Results**

**LOS ANGELES, CA – May 15, 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 first quarter ended March 31, 2017.

### **First Quarter 2017 Financial Highlights:**

- First quarter Net Sales were \$18.1 million compared to \$22.5 million in the prior year period.
- Gross profit for the first quarter was \$2.7 million, compared to \$3.6 million in the prior year period.
- First quarter Gross Margin was 15.0%, compared to 16.0% in the prior year period.

### **Operational Overview**

#### **Product Category**

Nova LifeStyle's largest selling product categories in the three months ended March 31, 2017 were sofas, beds and coffee tables, which accounted for approximately 80%, 11% and 5% of sales, respectively. This was compared to the prior year period where the Company's largest selling product categories were sofas, dining tables and cabinets which accounted for approximately 59%, 9% and 6% 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 Blockchain technology, while simultaneously exploring new ways to grow the furniture business.

#### **Geographic Breakdown**

##### *North America*

Sales to North America were \$12.5 million in the three months ended March 31, 2017, a decrease of 27% from \$17.2 million in the same period of 2016, driven by an aggressive change in the product mix. As a percentage of total revenue, North American sales remain the largest for Nova LifeStyle at 69.4%.

##### *Asia*

Sales to Asia, excluding China and Hong Kong, overall sales increased by 80% to \$815,071 in the three months ended March 31, 2017, as compared to \$452,780 in the same period of 2016.

##### *Australia*

Sales to Australia increased to \$2.5 million in the three months ended March 31, 2017, an increase of 216% from \$774,155 in the same period of 2016. This was primarily driven by an increase in sales orders from new customers in that region.

Geographical distribution of sales is set out as follows:

(US\$ in millions)	For three months ended March 31,			
	2017		2016	
	Sales	% of Total	Sales	% of Total
North America	12,529,632	69.4%	17,223,375	76.7%
Asia**	815,071	4.5%	452,780	2.0%
Europe	2,262,865	12.5%	3,898,885	17.4%
Australia	2,449,454	13.6%	774,155	3.4%
Hong Kong	-	0.0%	19,683	0.1%
Other countries	-	0.0%	100,129	0.4%
	<b>\$18,057,022</b>		<b>\$22,469,007</b>	

### Balance Sheet and Cash Flow Highlights

- Working capital at March 31, 2017 was \$57.7 million, compared to \$58.4 million at December 31, 2016.
- The current ratio at March 31, 2017 was 9.76 to 1.0.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2017 and 2016:

	2017	2016
Cash (used in) provided by:		
Operating activities	\$ 8,759,369	\$ (522,964)
Investing activities	(7,587,132)	(44,777)
Financing activities	(3,469,690)	637,230

Net cash provided by operating activities was \$8.8 million in the three months ended March 31, 2017, an increase of cash inflow of \$9.3 million from \$0.5 million of cash used in operating activities in the same period of 2016. The increase in cash inflow was impacted by primarily to the collection on accounts receivable of \$16.6 million during the three months ended March 31, 2017.

### About Nova LifeStyle

Nova LifeStyle, Inc., a NASDAQ Global Markets Exchange 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. 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. In November 2016, Nova LifeStyle announced entry into asset-light e-commerce and service related businesses. To learn more about Nova LifeStyle, Inc., please visit our website at [www.NovaLifeStyle.com](http://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 THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Net Sales</b>	\$ 18,057,022	\$ 22,469,007
<b>Cost of Sales</b>	<u>15,355,247</u>	<u>18,863,864</u>
<b>Gross Profit</b>	<u>2,701,775</u>	<u>3,605,143</u>
<b>Operating Expenses</b>		
Selling expenses	975,002	1,584,914
General and administrative expenses	3,025,676	1,345,297
<b>Total Operating Expenses</b>	<u>4,000,678</u>	<u>2,930,211</u>
<b>(Loss) Income From Operations</b>	<u>(1,298,903)</u>	<u>674,932</u>
<b>Other Income (Expenses)</b>		
Non-operating (income) expense, net	--	12,401
Foreign exchange transaction loss	(40)	(1,049)
Interest expense	(54,406)	(72,434)
Financial expense	<u>(26,060)</u>	<u>(28,437)</u>
<b>Total Other Expenses, Net</b>	<u>(80,506)</u>	<u>(89,519)</u>
<b>(Loss) Income Before Income Taxes and Discontinued operations</b>	(1,379,409)	585,413
<b>Income Tax (Benefit) Expense</b>	<u>(170,019)</u>	<u>19,041</u>
<b>(Loss) Income From Continuing Operations</b>	(1,209,390)	566,372
<b>Loss From Discontinued Operations, net of tax</b>	<u>--</u>	<u>(469,243)</u>
<b>Net (Loss) Income</b>	(1,209,390)	97,129
<b>Other Comprehensive Income</b>		
Foreign currency translation	<u>--</u>	<u>75,628</u>
<b>Comprehensive (Loss) Income</b>	<u>\$ (1,209,390)</u>	<u>\$ 172,757</u>
Basic weighted average shares outstanding	<u>27,345,106</u>	<u>24,333,971</u>
Diluted weighted average shares outstanding	<u>27,345,106</u>	<u>24,333,971</u>
(Loss) income from continuing operations per share of common stock		
Basic	<u>\$ (0.04)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.02</u>
Income (loss) from discontinued operations per share of common stock		
Basic	<u>\$ --</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ --</u>	<u>\$ (0.02)</u>
Net (loss) income per share of common stock		
Basic	<u>\$ (0.04)</u>	<u>\$ 0.00</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.00</u>

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 290,290	\$ 2,587,743
Accounts receivable, net	25,163,891	42,102,761
Advance to suppliers	21,114,676	13,669,752
Inventories	2,291,971	2,781,123
Assignment fee receivable (Note 3)	--	1,250,000
Receivable from an unrelated party (Note 7)	13,035,000	7,000,000
Prepaid expenses and other receivables	2,345,289	642,891
Taxes receivable	23,367	14,893
<b>Total Current Assets</b>	<u>64,264,484</u>	<u>70,049,163</u>
<b>Noncurrent Assets</b>		
Plant, property and equipment, net	163,292	171,276
Lease deposit	43,260	43,260
Goodwill	218,606	218,606
Intangible assets, net	5,315,620	5,686,623
Deferred tax asset	1,096,029	874,759
<b>Total Noncurrent Assets</b>	<u>6,836,807</u>	<u>6,994,524</u>
<b>Total Assets</b>	<u><u>\$ 71,101,291</u></u>	<u><u>\$ 77,043,687</u></u>

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 910,534	\$ 2,368,775
Line of credit	4,508,151	7,977,841
Advance from customers	535,409	513,880
Accrued liabilities and other payables	<u>629,354</u>	<u>780,960</u>
<b>Total Current Liabilities</b>	<u>6,583,448</u>	<u>11,641,456</u>
<b>Noncurrent Liabilities</b>		
Income tax payable	<u>2,196,512</u>	<u>2,136,788</u>
<b>Total Noncurrent Liabilities</b>	<u>2,196,512</u>	<u>2,136,788</u>
<b>Total Liabilities</b>	<u>8,779,960</u>	<u>13,778,244</u>
<b>Contingencies and Commitments</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 27,417,742 and 27,309,695 shares issued and outstanding; as of March 31, 2017 and December 31, 2016, respectively	27,418	27,309
Additional paid-in capital	37,150,631	36,885,462
Statutory reserves	6,241	6,241
Retained earnings	<u>25,137,041</u>	<u>26,346,431</u>
<b>Total Stockholders' Equity</b>	<u>63,321,331</u>	<u>63,265,443</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 71,101,291</u>	<u>\$ 77,043,687</u>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Net income (loss) from continuing operations	\$ (1,209,390)	\$ 566,372
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	381,119	156,065
Deferred tax benefit	(188,117)	--
Stock compensation expense	449,889	295,596
Termination cost on Academic E-commerce platform (Note 7)	800,000	--
Changes in bad debt allowance	324,684	(26,702)
Changes in operating assets and liabilities:		
Accounts receivable	16,614,186	2,382,552
Advance to suppliers	(7,444,924)	(6,794,470)
Inventories	489,152	70,326
Other current assets	112,991	234,730
Accounts payable	(1,458,241)	2,065,979
Advance from customers	21,529	633,875
Accrued expenses and other payables	(151,606)	(503,022)
Taxes payable	18,097	11,841
<b>Net Cash Provided by (Used in) Continuing Operations</b>	<b>8,759,369</b>	<b>(906,858)</b>
<b>Net Cash Provided by Discontinued Operations</b>	<b>--</b>	<b>383,894</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>8,759,369</b>	<b>(522,964)</b>
<b>Cash Flows From Investing Activities</b>		
Assignment fee received	1,250,000	
Purchase of property and equipment	(2,132)	(3,544)
Advances to unrelated parties	(8,835,000)	--
<b>Net Cash Used in Continuing Operations</b>	<b>(7,587,132)</b>	<b>(3,544)</b>
<b>Net Cash Used in Discontinued Operations</b>	<b>--</b>	<b>(41,233)</b>
<b>Net Cash Used in Investing Activities</b>	<b>(7,587,132)</b>	<b>(44,777)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from line of credit and bank loan	15,469,342	10,563,074
Repayment to line of credit and bank loan	(18,939,032)	(10,247,496)
<b>Net Cash (Used in) Provided by Continuing Operations</b>	<b>(3,469,690)</b>	<b>315,578</b>
<b>Net Cash Provided by Discontinued Operations</b>	<b>-</b>	<b>321,652</b>
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>\$ (3,469,690)</b>	<b>\$ 637,230</b>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Effect of Exchange Rate Changes on</b>		
<b>Cash and Cash Equivalents</b>	<u>\$ --</u>	<u>\$ 2,668</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(2,297,453)	72,157
<b>Cash and cash equivalents, beginning of period</b>	<u>2,587,743</u>	<u>988,029</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 290,290</u></u>	<u><u>\$ 1,060,186</u></u>
<b>Analysis of cash and cash equivalents</b>		
Included in cash and cash equivalents per consolidated balance sheets	290,290	775,488
Included in assets of discontinued operations	<u>-</u>	<u>284,698</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 290,290</u></u>	<u><u>\$ 1,060,186</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<b>Continuing operations:</b>		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ 7,200</u>
Interest paid	<u><u>\$ 54,406</u></u>	<u><u>\$ 72,434</u></u>
<b>Discontinued operations:</b>		
Cash paid during the period for:		
Income tax payments	<u>\$ --</u>	<u>\$ --</u>
Interest paid	<u><u>\$ --</u></u>	<u><u>\$ 42,211</u></u>