



Nova LifeStyle Reports Fourth Quarter and Full Year 2016 Financial Results

LOS ANGELES, CA -- April 14, 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 fourth quarter and twelve months ended December 31, 2016.

Full Year 2016 Financial Highlights:

- For the twelve-month period ended December 31, 2016, Net Sales were \$92.65 million, an increase of 3% compared to the prior year. Sales growth was driven primarily by a 52% increase in average selling prices, which offset a 32% decrease in sales volume.
- For the full year 2016, gross profit was \$13.5 million, a decrease of 11.5% versus the prior year period.
- Gross Profit and Gross Margin both decreased due to an increase in cost of sales as a percentage of net sales, caused by an increase in the cost of high quality products purchased from third parties.
- For the full year 2016, Net loss was \$(1.1) million, or \$(0.04) per diluted share based on 25.4 million shares outstanding, compared to net income of \$2.2 million or \$0.10 per diluted share based on 22.8 million shares outstanding in the prior year period.

Fourth Quarter 2016 Financial Highlights:

- Fourth quarter Net Sales were \$19.9 million compared to \$23.2 million in the prior year period.
- Gross profit for the fourth quarter was \$2.9 million, a decrease of 23.2% from the prior year period.
- Fourth quarter Gross Margin was 14.4%, compared to 16.1% in the prior year period while full year 2016 Gross Margin was 15%, compared to 17% in the prior year period. Fourth quarter sales mix was more heavily weighted to lower price products which also yield lower margins for the Company.
- Net loss was \$830,947, or \$(0.03) per diluted share based on 25.4 million shares outstanding in the fourth quarter of 2016, compared to net income of \$684,503 or \$0.03 per diluted share based on 22.8 million shares outstanding in the prior year period.

Subsequent Events

- Nova LifeStyle Launches Blockchain-Based Site to Enhance E-Commerce Strategy in January 2017

Management Commentary

Tawny Lam, Chief Executive Officer of Nova LifeStyle, stated, "Our 2016 results were highlighted by our partnership with Future World Lifestyle and the launch of our www.nova-mart.com website in early 2017, which demonstrate our commitment to expanding our e-commerce channels in order to create the greatest opportunity for consumers to choose Nova Lifestyle products and services. This capped a number of strategic changes we made during the year, including the sale of our Chinese manufacturing operations, in order to best position the Company for future success. In addition to these strategic changes, we also refocused our product line to emphasize higher-margin products. As a result, we saw a marked increase in our average selling prices for the year, although those gains were tempered by an expected reduction in volumes. The net impact was a 3% increase in revenues versus 2015."

Ms. Lam continued, "With the strategic changes made toward the end of the year, coupled with our shift to higher-margin products, we feel we are well-positioned for success in 2017. We are also excited to announce that Nova LifeStyle has embraced the blockchain trend in China and has transitioned more towards a blockchain based model. With the introduction of www.nova-mart.com, Nova LifeStyle's flagship training school, the Company is poised to be a leader in this emergent technology."

Operational Overview

Product Category

Nova LifeStyle's largest selling product categories in the twelve months ended December 31, 2016 and 2015 were sofas, beds and dining tables, which accounted for approximately 61%, 11% and 7% of sales, respectively, for the twelve months ended December 31, 2016, versus 36%, 14% and 15% of sales in the prior year period.

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 enrich its product lines to include a bedroom series, which would include beds, bed side tables, mattresses (which could be imported or purchased in China) and bedding sets including bed sheets, pillowcases, quilt covers, and other items (which can be purchased within China).

Geographic Breakdown

North America

Sales to North America were \$58.2 million in the twelve months ended December 31, 2016, a decrease of 23% from \$75.5 million in the same period of 2015, 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 62.8%.

Asia

Sales to Asia, excluding Hong Kong, overall sales increased by 63% to \$4.4 million in the twelve months ended December 31, 2016, as compared to \$2.7 million in the same period of 2015, driven by increased sales orders from one customer in the Middle East.

Europe

Sales to Europe were \$12.5 million in the twelve months ended December 31, 2016, an increase of 18% from \$10.6 million in the same period of 2015 as a result of the continued renewal of growth in European economies.

Geographical distribution of sales is set out as follows:

(US\$ in millions)	For twelve months ended December 31,			
	2016		2015	
	Sales	% of Total	Sales	% of Total
North America	58,203,291	62.8%	75,447,905	83.9%
Asia**	4,349,661	4.7%	2,676,669	3.0%
Europe	12,488,328	13.5%	10,579,444	11.8%
Australia	4,871,892	5.3%	535,145	0.6%
Hong Kong	2,499,418	2.7%	384,832	0.4%
China	10,002,059	10.8%	-	-
Other countries	233,546	0.3%	319,420	0.4%
	<u>\$92,648,195</u>		<u>\$89,943,415</u>	

Notable Achievements and Highlights During 2016

- **January:** Attended Las Vegas Market Winter exposition.
- **February:** Announced partnership with China Vanke.
- **March:** Announced expansion of the Company's relationship with IKEA in China.
- **April:** Attended the High Point Market Spring exposition.
- **July/August:** Attended the Las Vegas Market Summer exposition.
- **September:** Announced the sale of the Company's Chinese manufacturing business.
- **October:** Announced leadership change. Ms. Tawny Lam replaced Mr. Ya Ming "Jeffrey" Wong as Chief Executive Officer.
- **November:** Announced partnership with Inno International Trading, which allowed the Company to begin establishing itself on Inno's reward point platform.
- **December:** Announced partnership with Future World LifeStyle, which will feature Diamond Sofa Smart Furniture on its weilai178.com website. This partnership offers the Company 3 million plus members of weilai178.com a reward redemption program that is used for products listed on its website.

Balance Sheet and Cash Flow Highlights

- Cash and cash equivalents were \$2.6 million at December 31, 2016, as compared to \$920,227 as of December 31, 2015.
- Working capital at December 31, 2016 was \$58.4 million, as compared to \$48.6 million at December 31, 2015.
- The current ratio at December 31, 2016 was 6.02 to 1.0.

The following is a summary of cash provided by or used in each of the indicated types of activities during the twelve months ended December 31, 2016 and 2015:

	2016	2015
Cash (used in) provided by:		
Operating activities	\$ (6,421,503)	\$ (4,229,308)
Investing activities	6,098,402	(2,473,664)
Financing activities	1,925,654	6,452,072

Net cash used in operating activities was \$6.4 million in the twelve months ended December 30, 2016, an increase of cash outflow of \$2.2 million from \$4.2 million of cash used in operating activities in the same period of 2015. The increase in cash outflow was impacted by increased advances to suppliers, which totaled \$5.7 million during 2016, versus an inflow of \$0.2 million in the prior year.

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, Colorful World, Giorgio Mobili, 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

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.

Company Contact:

Investor Relations:

The Equity Group Inc.

In U.S.

Adam Prior, Senior Vice President

+1 (212) 836-9606

aprior@equityny.com

In China

Katherine Yao, Senior Associate

+86-10-6587-6435

kyao@equityny.com

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		Three Months Ended December 31,	
	2016	2015	2016	2015
	(audited)	(audited)	(unaudited)	(Unaudited)
Net Sales	\$ 92,648,195	\$ 89,943,415	\$ 19,899,223	\$ 23,217,604
Cost of Sales	79,124,451	74,664,644	17,033,016	19,487,924
Gross Profit	13,523,744	15,278,771	2,866,207	3,729,680
Operating Expenses				
Selling expenses	5,324,270	4,631,758	966,064	1,922,597
General and administrative expenses	8,965,566	6,016,805	4,209,448	1,210,523
Total Operating Expenses	14,289,836	10,648,563	5,175,512	3,133,120
Income (Loss) From Operations	(766,092)	4,630,208	(2,309,305)	596,560
Other Income (Expenses)				
Non-operating (income) expense, net	46,717	43,237	5,723	4,411
Foreign exchange transaction loss	(6,386)	(7,003)	(808)	(1,795)
Loss on change in fair value and extinguishment of warrant liability	--	(767,096)	--	--
Interest expense	(283,795)	(275,630)	(42,593)	(70,306)
Financial expense	(119,100)	(57,866)	(31,002)	(15,796)
Total Other Expenses, Net	(362,564)	(1,064,358)	(68,680)	(83,486)
Income (Loss) Before Income Taxes and Discontinuing operations	(1,128,656)	3,565,850	(2,377,985)	513,074
Income Tax (Benefit) Expense	(836,620)	161,443	(896,683)	49,507
Income (Loss) From Continuing Operations	(292,036)	3,404,407	(1,481,302)	463,567
Loss from Discontinued Operations, net of tax	(826,217)	(1,204,165)	650,355	220,936
Net Income (Loss)	(1,118,253)	2,200,242	(830,947)	684,503
Other Comprehensive Income (Loss)				
Release of foreign currency translation adjustments upon disposal of subsidiaries	836,014	-	836,014	-
Foreign currency translation	(734,520)	(1,004,633)	(313,768)	(349,463)
Comprehensive Income (Loss)	<u>\$ (1,016,759)</u>	<u>\$ 1,195,609</u>	<u>\$ (308,701)</u>	<u>\$ 335,040</u>
Basic weighted average shares outstanding	25,432,037	22,825,652	25,432,037	22,825,652
Diluted weighted average shares outstanding	25,432,037	22,825,652	25,432,037	22,825,652
Income (loss) from continuing operations per share of common stock				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.15</u>	<u>\$ (0.06)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.15</u>	<u>\$ (0.06)</u>	<u>\$ 0.02</u>
Income (loss) from discontinuing operations per share of common stock				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Net Income (loss) per share of common stock				
Basic	<u>\$ (0.04)</u>	<u>\$ 0.10</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.10</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
	(Audited)	(Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,587,743	\$ 920,227
Accounts receivable, net	42,102,761	42,684,259
Advance to suppliers	13,669,752	7,936,141
Inventories	2,781,123	2,514,319
Assignment fee receivable	1,250,000	-
Receivable from an unrelated party	7,000,000	-
Prepaid expenses and other receivables	642,891	508,999
Taxes receivable	14,893	8,494
Assets of discontinued operations	-	11,260,606
Total Current Assets	70,049,163	65,833,045
Noncurrent Assets		
Heritage and cultural assets	--	-
Plant, property and equipment, net	171,276	200,077
Lease deposit	43,260	43,260
Deposits for equipment and factory construction	--	--
Goodwill	218,606	218,606
Intangible assets, net	5,686,623	6,247,481
Deferred tax asset	874,759	61,000
Assets of discontinued operations, non-current	-	17,144,538
Total Noncurrent Assets	6,994,524	23,914,962
Total Assets	\$ 77,043,687	\$ 89,748,007

NOVA LIFESTYLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2016 AND 2015

	2016 (Audited)	2015 (Audited)
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,368,775	\$ 5,708,259
Line of credit	7,977,841	1,848,000
Advance from customers	513,880	63,789
Accrued liabilities and other payables	780,960	1,438,105
Taxes payable	--	-
Liabilities of discontinued operations	-	8,147,018
Total Current Liabilities	<u>11,641,456</u>	<u>17,205,171</u>
Noncurrent Liabilities		
Line of credit	--	5,659,357
Deferred rent payable	--	-
Income tax payable	2,136,788	2,160,449
Liabilities of discontinued operations, non-current	-	4,731,348
Total Noncurrent Liabilities	<u>2,136,788</u>	<u>12,551,154</u>
Total Liabilities	<u>13,778,244</u>	<u>29,756,325</u>
Contingencies and Commitments		
Stockholders' Equity		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 27,309,695 and 24,254,160 shares issued and outstanding; as of December 31, 2016 and 2015, respectively	27,309	24,254
Additional paid-in capital	36,885,462	31,761,983
Statutory reserves	6,241	6,241
Accumulated other comprehensive income	-	1,570,534
Retained earnings	26,346,431	26,628,670
Total Stockholders' Equity	<u>63,265,443</u>	<u>59,991,682</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 77,043,687</u></u>	<u><u>\$ 89,748,007</u></u>

NOVA LIFESTYLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Net income (loss) from continuing operations	\$ (292,036)	\$ 3,404,407
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	603,155	512,884
Deferred tax expense	(813,760)	(52,742)
Stock compensation expense	1,637,362	1,377,328
Change in fair value and extinguishment of warrant liability	--	767,096
Bad debt expenses	2,603,745	660,136
Changes in operating assets and liabilities:		
Accounts receivable	(2,022,248)	(8,782,341)
Advance to suppliers	(5,733,611)	231,046
Inventories	(266,804)	(1,193,622)
Other current assets	298,115	(724,046)
Accounts payable	(3,856,326)	(533,545)
Advance from customers	450,091	(58,251)
Accrued expenses and other payables	(710,327)	(295,394)
Taxes payable	(30,060)	115,616
Net Cash Used in Continuing Operations	(8,132,704)	(4,571,428)
Net Cash Provided by (Used in) Discontinuing Operations	1,711,201	342,120
Net Cash Used in Operating Activities	(6,421,503)	(4,229,308)
Cash Flows From Investing Activities		
Deposits on plant construction and equipment		(52,398)
Payment for land compensation fee and occupancy tax	--	--
Purchase of property and equipment	(13,494)	--
Proceeds from disposal of subsidiaries, net of (\$43,873) of cash disposed of	13,206,127	--
Advances to an unrelated party	(7,000,000)	--
Construction in progress	--	(231,864)
Net Cash Used in Continuing Operations	6,192,633	(284,262)
Net Cash (Used in) Provided by Discontinuing Operations	(94,231)	(2,189,402)
Net Cash Used in Investing Activities	6,098,402	(2,473,664)
Cash Flows From Financing Activities		
Proceeds from line of credit and bank loan	44,405,074	36,034,645
Repayment to line of credit and bank loan	(43,934,591)	(35,057,901)
Proceeds from warrant exercised	3,093,918	--
Proceeds from equity financing, net of expenses of \$355,000	--	3,645,002
Net Cash Provided by Continuing Operations	3,564,401	4,621,746
Net Cash (Used in) Provided by Discontinuing Operations	(1,638,747)	1,830,326
Net Cash Provided by Financing Activities	\$ 1,925,654	\$ 6,452,072

NOVA LIFESTYLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Effect of Exchange Rate Changes on Cash and Cash Equivalents	\$ (2,839)	\$ (5,379)
Net (decrease) increase in cash and cash equivalents	1,599,714	(256,279)
Cash and cash equivalents, beginning of year	988,029	1,244,308
Cash and cash equivalents, ending of year	<u>\$ 2,587,743</u>	<u>\$ 988,029</u>
Analysis of cash and cash equivalents		
Included in cash and cash equivalents per consolidated balance sheets	\$ 2,587,743	\$ 920,227
Included in assets of discontinued operations	-	67,802
Cash and cash equivalents, end of year	<u>\$ 2,587,743</u>	<u>\$ 988,029</u>
Supplemental Disclosure of Cash Flow Information		
Continuing operations:		
Cash paid during the period for:		
Income tax payments	\$ 7,200	\$ 131,292
Interest paid	<u>\$ 282,951</u>	<u>\$ 275,860</u>
Discontinued operations:		
Cash paid during the period for:		
Income tax payments	\$ --	\$ --
Interest paid	<u>\$ 145,645</u>	<u>\$ 112,465</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Construction in progress and deposits for equipment and factory construction transfer to fixed assets	\$ --	\$ 2,406,995
Deposit on plant construction and website design transfer to construction in progress	\$ --	\$ 1,208,200
Issuance of common stock in exchange of surrender and termination of warrants	<u>\$ --</u>	<u>\$ 2,232,115</u>