



## **Nova LifeStyle Reports Third Quarter 2015 Financial Results**

Company to host conference call at 10:00 am ET later this morning (November 16, 2015)

**LOS ANGELES, CA -- November 16, 2015 -- 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 third quarter and nine months ended September 30, 2015.

### **Third Quarter 2015 Corporate and Financial Highlights:**

- Net sales were \$29.0 million, an increase of 12% compared to the prior year period.
- Gross profit was \$4.3 million, a decrease of 27% in the prior year period.
- Gross margin was 15%, compared to 23% in the prior year period, largely due to product mix during the period as additional materials were purchased from third-party manufacturers in advance of pending sales in the coming quarter.
- Net Income was \$0.03 million, or \$0.00 per diluted share based on 24.1 million shares outstanding, compared to net income of \$3.1 million or \$0.15 per diluted share based on 20.9 million shares outstanding in the prior year period.

### **Management Commentary**

Jeffrey Wong, CEO of Nova LifeStyle, stated, "Our third quarter results were highlighted by top line growth of 12% year over year, largely due to our expansion in North America and China. North American sales increased 19% during the period, as we aggressively expanded our marketing efforts to the U.S. and Canadian markets. In addition, we believe that there is considerable upside for our sales in China, largely driven by our receipt of a new yearly order plan from IKEA with higher volume expected in the coming months. Since qualifying as an approved vendor for IKEA, we have seen sales steadily increase in China as a result of their expansion and the adoption of our product lines that can be used as both stand-alone or whole-room and home furnishing solutions. We are also continuing to penetrate new global markets, which included the receipt of a sizable order from a retail chain in South America. Nova LifeStyle is focused on enhancing the global reception of its brand and we are continuing to design and create new modern home furnishing solutions that encapsulate a changing contemporary lifestyle."

Mr. Wong continued, "Through our global network, Nova LifeStyle also sells (through an exclusive third party manufacturing partner) a managed variety of high quality bedding foundation components. In the third quarter, our cost of goods was elevated due to increased seasonal orders fulfilled using third party manufacturers. As a Company, we remain cognizant of evolving trends in the industry and continue to enrich our product lines to emphasize style, comfort and value. Nova LifeStyle is constantly seeking to integrate new sources of distribution and manufacturers that are properly aligned with our growth strategy, thus allowing us to continually focus on building both same store sales growth as well as drive the expansion of our overall distribution and manufacturing relationships through a deployment of popular, as well as trend-based, furnishing solutions worldwide. We are focused on growing in a sustainable manner, improving our receivables, and maintaining a lean operating infrastructure. We made considerable progress in this regard during the year and it will continue to be our focus in 2016 and beyond."

Mr. Wong concluded, "We are also committed to re-investing in our platform to stay ahead of emerging verticals within the home furnishing market, such as the emergence of e-commerce as a primary component of customer buying habits. During the period, the Company put the Nova sales-kit apps design into official operation at the Company's franchise stores and we are in the process of conducting procedure testing on our e-commerce platform and mobile apps. We expect to launch the service of our e-commerce platform and mobile apps by the end of 2015."

## Operational Overview

### Product Category

Nova LifeStyle's largest selling product categories in the three months ended September 30, 2015 and 2014 were sofas, cabinets and dining tables, which accounted for approximately 24%, 16% and 17% of sales, respectively, for the three months ended September 30, 2015.

In the next several months, 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 \$21.8 million in the three months ended September 30, 2015, an increase of 19% from \$18.3 million in the same period of 2014, driven by increased marketing efforts in the U.S. markets. As a percentage of total revenue, North American sales remain the largest for Nova LifeStyle at 75%.

#### China

In China, overall sales increased by 12% to \$4.9 million in the three months ended September 30, 2015, as compared to \$4.4 million in the same period of 2014, driven by increased sales from our subsidiary, Ding Nuo, to IKEA

#### Europe

Sales to Europe were \$1.4 million in the three months ended September 30, 2015, a decrease of 30% from \$1.9 million in the same period of 2014 as a result of the slow European economy.

Geographical distribution of sales is set out as follows:

(US\$ in millions)	For nine months ended September 30,				For three months ended September 30,			
	2015		2014		2015		2014	
	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total
China*	\$ 13.5	17%	\$ 12.2	17%	\$ 4.9	17%	\$ 4.4	17%
North America	57.2	71%	44.2	63%	21.8	75%	18.3	71%
Asia**	2.1	3%	4.1	6%	0.8	3%	0.8	3%
Europe	6.9	9%	8.2	12%	1.4	5%	1.9	8%
Australia	0.4	0%	0.3	0%	0.2	1%	0.1	1%
Hong Kong	0.1	0%	0.7	1%	0.0	0%	0.2	1%
Other countries	0.1	0%	0.1	0%	-	NA	-	NA
	\$ 80.2	100%	\$ 69.7	100%	\$ 29.0	100%	\$ 25.9	100%

\* excluding Hong Kong

\*\* excluding China

### Financial Results for the Third Quarter Ended September 30, 2015

- Net sales for the three months ended September 30, 2015, were \$29.0 million, an increase of 12% from \$25.9 million in the same period of 2014; this increase in net sales resulted primarily from a 33% increase in sales volume despite a 15% decrease in average selling price.
- Gross profit decreased 27% to \$4.3 million in the three months ended September 30, 2015, compared to \$5.9 million in the same period of 2014. The decrease in gross profit resulted primarily from an increase in cost of sales. Gross margin as a percent of net sales was 15% compared to 23% in the same period in 2014.
- Operating income was \$0.2 million, a decrease of 92% from to \$2.6 million in the same period of 2014.

- Total other loss, net, was \$0.0 million in the three months ended September 30, 2015, compared with total other income, net of \$0.62 million in the same period of 2014. The decrease in other income was due primarily to a negative change in fair value of warrant liability of (\$0.02 million) in the three months ended September 30, 2015 compared to a positive change of \$0.63 million in the prior year period.
- Net income was \$0.03 million in the three months ended September 30, 2015, compared to \$3.12 million of net income for the same period of 2014. This decrease was mainly due to an increased cost of sales.

### Balance Sheet and Cash Flow Highlights

- Cash and cash equivalents were \$1.0 million at September 30, 2015, as compared to \$1.2 million as of December 31, 2014.
- Working capital at September 30, 2015 was \$48.3 million, as compared to \$34.5 million at December 31, 2014.

The following is a summary of cash provided by or used in each of the indicated types of activities during the nine months ended September 30, 2015 and 2014:

	2015	2014
Cash (used in) provided by:		
Operating activities	\$ (4,217,872)	\$ (6,759,230)
Investing activities	(1,439,429)	(2,786,697)
Financing activities	5,388,462	9,090,620

Net cash used in operating activities was \$4.2 million in the nine months ended September 30, 2015, a decrease of cash outflow of \$2.6 million from \$6.8 million of cash used in operating activities in the same period of 2014.

The decrease in cash outflow was attributable primarily to improved timely collection on accounts receivable.

### Conference Call Details

Date / Time: Monday, November 16, 2015 at 10:00 a.m. ET

#### Participant Dial-In Numbers

(United States): 877-704-4209  
 (International): 201-689-8024  
 (China): +86 40-0120-2840

### Webcast

To listen to the live webcast, please go to at [www.NovaLifeStyle.com](http://www.NovaLifeStyle.com) and click on the conference call link, or click: [Nova LifeStyle 2015 Third Quarter Webcast](#). This webcast will be archived and accessible through the Company's website for approximately 30 days following the call.

### 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. To learn more about Nova LifeStyle, Inc., please visit our website at [www.NovaLifeStyle.com](http://www.NovaLifeStyle.com) or download the NVFY IRapp from the investor page.

**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 NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
<b>Net Sales</b>	\$ 80,202,568	\$ 69,708,982	\$ 28,991,861	\$ 25,892,872
<b>Cost of Sales</b>	66,666,614	55,592,993	24,714,211	20,001,433
<b>Gross Profit</b>	13,535,954	14,115,989	4,277,650	5,891,439
<b>Operating Expenses</b>				
Selling expenses	3,887,709	2,798,329	1,567,073	1,174,658
General and administrative expenses	6,795,285	5,799,195	2,513,768	2,128,469
Goodwill impairment	--	808,518	--	--
Loss on disposal fixed assets	--	28,963	--	6,437
<b>Total Operating Expenses</b>	10,682,994	9,435,005	4,080,841	3,309,564
<b>Income From Operations</b>	2,852,960	4,680,984	196,809	2,581,875
<b>Other Income (Expenses)</b>				
Non-operating income (expenses), net	105,083	164,280	79,928	(2,721)
Foreign exchange transaction gain	75,977	--	41,912	--
Change in fair value of warrant liability	(767,096)	2,841,177	(17,644)	630,264
Interest expense	(281,157)	(100,917)	(90,637)	38,548
Financial expense	(45,755)	(56,323)	(15,218)	(49,458)
<b>Total Other Income (Expenses), Net</b>	(912,948)	2,848,217	(1,659)	616,633
<b>Income Before Income Tax</b>	1,940,012	7,529,201	195,150	3,198,508
<b>Income Tax Expense</b>	424,273	752,311	164,745	77,825
<b>Net Income</b>	1,515,739	6,776,890	30,405	3,120,683
<b>Other Comprehensive Income</b>				
Foreign currency translation	(655,170)	(129,736)	(668,723)	(1,359)
<b>Comprehensive Income (Expenses)</b>	\$ 860,569	\$ 6,647,154	\$ (638,318)	\$ 3,119,324
Basic weighted average shares outstanding	22,362,381	20,133,976	24,144,512	20,861,990
Diluted weighted average shares outstanding	22,362,381	20,274,325	24,144,512	20,943,076
Basic net earnings per share	\$ 0.07	\$ 0.34	\$ 0.00	\$ 0.15
Diluted net earnings per share	\$ 0.07	\$ 0.33	\$ 0.00	\$ 0.15

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2015 (UNAUDITED) AND DECEMBER 31, 2014**

	September 30, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 970,874	\$ 1,244,308
Accounts receivable, net	49,422,433	42,971,510
Advance to suppliers	6,243,123	8,104,312
Inventories	5,661,932	3,612,868
Prepaid expenses and other receivables	980,155	641,208
Deferred tax asset	139,682	118,866
<b>Total Current Assets</b>	<u>63,418,199</u>	<u>56,693,072</u>
<b>Noncurrent Assets</b>		
Heritage and cultural assets	127,465	132,513
Plant, property and equipment, net	13,341,300	14,377,909
Construction in progress	2,602,075	1,378,860
Lease deposit	95,295	96,096
Deposits for equipment and factory construction	551,349	1,264,551
Goodwill	218,606	218,606
Intangible assets, net	6,424,564	6,493,726
<b>Total Noncurrent Assets</b>	<u>23,360,654</u>	<u>23,962,261</u>
<b>Total Assets</b>	<u>\$ 86,778,853</u>	<u>\$ 80,655,333</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,347,463	\$ 10,454,485
Line of credit	9,265,322	7,592,879
Advance from customers	78,408	123,673
Accrued liabilities and other payables	1,773,319	2,470,284
Warrant derivative liability	--	1,465,019
Taxes payable	46,074	61,769
<b>Total Current Liabilities</b>	<u>20,510,586</u>	<u>22,168,109</u>
<b>Noncurrent Liabilities</b>		
Deferred rent payable	87,007	85,077
Deferred tax liability	13,823	12,199
Income tax payable	6,792,276	6,607,739
<b>Total Noncurrent Liabilities</b>	<u>6,893,106</u>	<u>6,705,015</u>
<b>Total Liabilities</b>	<u>27,403,692</u>	<u>28,873,124</u>
<b>Contingencies and Commitments</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 24,184,835 and 20,897,316 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	24,185	20,897
Additional paid-in capital	31,480,571	24,751,476
Statutory reserves	6,241	6,241
Accumulated other comprehensive income	1,919,997	2,575,167
Retained earnings	25,944,167	24,428,428
<b>Total Stockholders' Equity</b>	<u>59,375,161</u>	<u>51,782,209</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 86,778,853</u>	<u>\$ 80,655,333</u>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(UNAUDITED)**

	Nine Months Ended September 30,	
	2015	2014
	(Unaudited)	
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ 1,515,739	\$ 6,776,890
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	1,394,415	1,244,376
Changes in deferred tax	--	55,317
Stock compensation expense	1,089,549	462,895
Warrants expense	--	76,629
Change in fair value of warrant liability	767,096	(2,841,177)
Bad debt expenses	651,989	76,438
Goodwill impairment	--	808,518
Loss on disposal of fixed assets	--	28,963
Changes in operating assets and liabilities:		
Accounts receivable	(7,396,420)	(9,886,758)
Advance to suppliers	1,843,895	(2,839,808)
Inventories	(2,136,742)	(2,761,204)
Other current assets	(598,028)	(127,273)
Accounts payable	(975,350)	1,486,895
Advance from customers	(44,873)	59,882
Accrued expenses and other payables	(666,089)	(64,664)
Deferred rent payable	5,327	6,211
Taxes payable	331,620	678,640
<b>Net Cash Used in Operating Activities</b>	<u>(4,217,872)</u>	<u>(6,759,230)</u>
<b>Cash Flows From Investing Activities</b>		
Deposit on plant construction and website design	(19,113)	(786,378)
Payment for land compensation fee and occupancy tax	(340,542)	--
Purchase of property and equipment	(519,448)	(1,371,816)
Cash received from disposition of fixed assets	--	11,998
Construction in progress	(560,326)	(640,501)
<b>Net Cash Used in Investing Activities</b>	<u>(1,439,429)</u>	<u>(2,786,697)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from line of credit and bank loan	28,260,031	21,417,000
Repayment to line of credit and bank loan	(26,516,571)	(21,664,221)
Proceeds from subscription receivable	--	750,000
Cash received from warrants exercised	--	448,841
Proceeds from equity financing, net of expenses of \$355,000	3,645,002	8,139,000
<b>Net Cash Provided by Financing Activities</b>	<u>\$ 5,388,462</u>	<u>\$ 9,090,620</u>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**  
**(UNAUDITED)**

	Nine Months Ended September 30, 2015 (Unaudited)	2014 (Unaudited)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	\$ (4,595)	\$ (570)
<b>Net decrease in cash and cash equivalents</b>	(273,434)	(455,877)
<b>Cash and cash equivalents, beginning of period</b>	1,244,308	2,323,338
<b>Cash and cash equivalents, ending of period</b>	\$ 970,874	\$ 1,867,461
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for:		
Income tax payments	\$ 93,984	\$ 21,485
Interest expense	\$ 282,961	\$ 227,285
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>		
Deposit on plant construction and website design transfer to construction in progress	\$ 726,722	\$ --
Construction in progress transfer to fixed assets	\$ --	\$ 1,044,015
Issuance of common stock in exchange of surrender and termination of warrants	\$ 2,212,707	\$ --