

eFuture Information Technology Inc.
Form 20-F
April 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

- TRANSITIONAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 333-126007

EFUTURE INFORMATION TECHNOLOGY INC.
(Exact name of Registrant as specified in its charter)

Cayman Islands
(Jurisdiction of incorporation or organization)

eFuture Information Technology Inc.
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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

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Ordinary shares, par value \$0.0756 per share

NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2014, there were 3,989,626 ordinary shares of the Registrant outstanding.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards
as issued by the International Accounting Standards Board Other

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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In this Annual Report on Form 20-F, references to “U.S. dollars”, “US\$” and “\$” are to United States dollars, references to “RMB”, “renminbi” or “yuan” are to the Chinese Yuan, and, unless the context otherwise requires, references to “eFuture,” “we,” “us” and “our” refer to eFuture Information Technology Inc., its consolidated subsidiaries and effectively controlled

variable interest entities as defined in Part I of this Annual Report.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended (the “Securities Act”), and the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” and expressions are intended to identify such forward-looking statements. Our actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation, those discussed under “Item 3 - Key Information-Risk Factors,” “Item 4 - Information on the Company,” “Item 5 - Operating and Financial Review and Prospects,” and elsewhere in this report, as well as factors which may be identified from time to time in our other filings with the Securities and Exchange Commission (the “SEC”) or in the documents where such forward-looking statements appear. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements.

The forward-looking statements contained in this report reflect our views and assumptions only as of the date this report is signed. Except as required by law, we assume no responsibility for updating any forward-looking statements.

PART I

Unless the context requires otherwise, references in this report to “eFuture,” “the Company,” “we,” “us,” and “our” refer to eFuture Information Technology Inc., our wholly-owned subsidiaries, eFuture (Beijing) Royalstone Information Technology Inc. (“eFuture Beijing”), and eFuture (Hainan) Royalstone Information Technology Inc. (“eFuture Hainan”), and an effectively controlled variable interest entity (“VIE”), Beijing Weidian Internet Service Co. Ltd. (“Weidian”, its former name is known as Beijing Changshentiandi Ecommerce Co., Ltd.), acquired on January 18, 2011.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Consolidated Financial Data

The following table presents the selected consolidated financial information for our company. The selected consolidated statements of operations data for the three years ended December 31, 2012, 2013 and 2014 and the consolidated balance sheet data as of December 31, 2013 and 2014 have been derived from our audited consolidated financial statements set forth in “Item 18 – Financial Statements”. The selected consolidated statements of operations data for the years ended December 31, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements for the years ended December 31, 2010, 2011 and 2012, which are not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our audited consolidated financial statements are prepared and presented in accordance with Generally Accepted Accounting Principles in the United

States of America, or U.S. GAAP.

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Selected Consolidated Statements of Operations Data

	RMB					US\$
	For the Years Ended December 31,					For the Year Ended December 31, 2014
	2010	2011	2012	2013	2014	
Total Revenues	¥151,902,684	¥174,448,480	¥198,354,869	¥197,932,799	¥219,453,707	\$35,369,517
Income (Loss) From Operations	(21,732,821)	(19,545,493)	1,519,871	(7,840,176)	10,616,141	1,711,011
Net Income (Loss)	(17,323,421)	(18,830,869)	(4,509,616)	(7,451,510)	7,387,156	1,190,593
Basic Earnings (Loss) Per Share	(4.53)	(4.56)	(1.07)	(1.76)	1.77	0.29
Diluted Earnings (Loss) Per Share	(4.53)	(4.56)	(1.07)	(1.76)	1.71	0.28
Net Income (Loss) from continuing operations	(17,386,892)	(24,440,221)	(4,509,616)	(7,451,510)	7,387,156	1,190,593
Basic Earnings (Loss) Per Share from continuing operations	(4.55)	(5.92)	(1.07)	(1.76)	1.77	0.29
Diluted Earnings (Loss) Per Share from continuing operations	(4.55)	(5.92)	(1.07)	(1.76)	1.71	0.28

Selected Consolidated Balance Sheet Data

	RMB					US\$
	As of December 31,					As of December 31, 2014
	2010	2011	2012	2013	2014	
Total Assets	¥241,832,155	¥220,395,489	¥249,035,413	¥241,986,858	¥264,086,015	¥42,562,940
Total Current Liabilities	(102,375,657)	(93,973,063)	(123,356,961)	(122,297,034)	(133,654,628)	(21,541,216)
Long-term Liabilities	(3,134,677)	(416,298)	-	-	-	-
Net Assets	136,321,821	126,006,128	125,678,452	119,689,824	130,431,387	21,021,724
Ordinary Shares	2,161,766	2,353,068	2,353,068	2,326,182	2,357,978	380,037
Number of Weighted average Ordinary Shares	3,822,386	4,130,221	4,213,318	4,224,676	4,317,014	4,317,014

Exchange Rate Information

Our business is primarily conducted in China and all of our revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into U.S. dollars using the then current

exchange rates, for the convenience of the readers. U.S. dollars information was translated under convenience translation provisions of Regulation S-X, Rule 3-20. The conversion of RMB into U.S. dollars in this annual financial report is based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual financial report were made at a rate of RMB6.2046 to US\$1.00, the noon buying rate in effect as of December 31, 2014. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The government of the People's Republic of China (the "PRC") imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. The Company does not currently engage in currency hedging transactions. The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated.

Period	Period-End	Noon Buying Rate Average		
		(1)	Low	High
		(RMB per U.S. dollar)		
2010	6.6000	6.7696	6.6000	6.8330
2011	6.2939	6.4475	6.2939	6.6364
2012	6.2301	6.2990	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014				
December	6.2046	6.1886	6.1490	6.2256
2015				
January	6.2495	6.2181	6.1870	6.2535
February	6.2695	6.2518	6.2399	6.2695
March	6.1990	6.2386	6.1955	6.2741
April (through April 17, 2015)	6.1976	6.2010	6.1930	6.2152

Source: Federal Reserve Statistical Release

(1) Annual averages are calculated using the average of month-end rates of the relevant years. Monthly averages are calculated using the average of the daily rates during the relevant periods.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider all of the information in this Annual Report and, in particular, the risks outlined below. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR BUSINESS

We are substantially dependent upon our key personnel, particularly Adam Yan, our Chairman, Weiquan Ren, the Chief Executive Officer, and Ping Yu, the Chief Financial Officer.

Our performance is substantially dependent on the performance of our executive officers and key employees. We do not have in place “key person” life insurance policies on any of our employees. The loss of the services of any of our executive officers or other key employees could substantially impair our ability to successfully implement our existing software and develop new programs and enhancements.

Our recent service fee revenue growth will require our officers to manage our business efficiently while recruiting a significant number of new employees to assist in further development and implementation of our software.

In 2014, we experienced an increase in service fee revenue. We intend to optimize our revenue mix by focusing on

generating more service fee income through a wider range and different levels of service in the future. The growth in the size and complexity of our business has placed and is expected to continue to place a significant strain on our management and operations. Continued growth will require us to recruit and hire a substantial number of new employees, including consulting and product development personnel. In particular, our ability to undertake new projects and increase license revenues is substantially dependent on the availability of our consulting personnel to assist in the licensing and implementation of our software solutions. We will not be able to continue to increase our business at historical rates without adding significant numbers of personnel skilled in software implementation and integration. Although we have not incurred significant difficulty in the hiring and training of skilled employees to date, there can be no assurance that we will effectively locate, retain or train additional personnel in the future. If we do not sufficiently increase our integration and implementation workforce over time, we may be required to forego licensing opportunities. Our ability to compete effectively and to manage future growth, if any, also will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis.

Historically, wages for comparably skilled technical and management personnel in the software solutions industry in China have been lower than in developed countries, such as in the U.S. or Europe. In recent years, wages in China's software industry have increased and may continue to increase at faster rates. Wage increases will increase the cost of our products and services of the same quality and increase our cost of operations. As a result, our gross margin and profit margin may decline. In the long term, unless offset by increases in efficiency and productivity of our work force, wage increases may also result in increased prices for our solutions and services, making us potentially less competitive. Increases in wages, including an increase in the cash component of our compensation expenses, will increase our net cash outflow and our gross margin and profit margin may decline.

Our operating results may seasonally fluctuate, which could cause our results to fall short of expectations and may adversely affect the trading price of our ordinary shares.

Our business has historically experienced the highest level of revenue in the fourth quarter of each year, primarily due to significant year-end capital purchases by customers. This has resulted in 2014, 2013, and 2012 first quarter revenue being lower than revenue in the prior year's fourth quarter. We believe that this trend will continue in the future and that our revenue will continue to peak in the fourth quarter of each year and decline from that level in the first quarter of the following year. As we continue to grow, we expect that the seasonality in our business may cause our operating results to fluctuate. Due to the foregoing factors, we believe that quarter to quarter comparisons of our results of operations may not be a good indication of our future performance and should not be overly relied upon. It is likely that our results of operations in some periods may be below the expectations of public market analysts and investors. In this event, the price of our ordinary shares will probably decline, perhaps significantly more in percentage terms than any corresponding decline in our operating results.

We are heavily dependent upon the services of technical and managerial personnel who develop and implement our one-stop front-end supply chain total solutions, and we may have to actively compete for their services.

We are heavily dependent upon our ability to attract, retain and motivate skilled technical, managerial and consulting personnel, especially highly skilled engineers involved in ongoing product development and consulting personnel. Our ability to install, maintain and enhance our front-end supply chain total solutions is substantially dependent upon our ability to locate, hire and train qualified personnel. Many of our technical, managerial and consulting personnel possess skills that would be valuable to all companies engaged in software development, and the Chinese software industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel. Consequently, we expect that we will have to actively compete with other Chinese software developers for these employees. Our ability to profitably operate is substantially dependent upon our ability to locate, hire, train and retain our technical, managerial and consulting personnel. Although we have not experienced difficulty locating, hiring, training or retaining our employees to date, there can be no assurance that we will be able to retain our current personnel, or that we will be able to attract and assimilate other personnel in the future. If we are unable to effectively obtain and maintain skilled personnel, the quality of our software products and the effectiveness of installation and training could be materially impaired.

We sell our services on a fixed-price, fixed-time basis, which exposes us to risks associated with cost overruns and delays.

We sell most of our services on a fixed-price, fixed-time basis. In contracts with our customers, we typically agree to pay late completion fines of up to 0.3% of the total contract value. In large scale projects, there are many factors beyond our control which could cause delays or cost overruns. In this event, we would be exposed to cost overruns and liability for late completion fines.

Our financial performance is dependent upon the sale and implementation of front-end supply chain total solutions and related services, a single, concentrated group of products.

We derive most of our revenues from the license and implementation of software applications for China's retail and consumer goods industries and providing consulting services. The life cycle of our software is difficult to estimate due in large measure to the potential effect of new software, applications and enhancements (including those we introduce) on the maturation in the China's retail and consumer goods industries. To the extent we are unable to continually improve our front-end supply chain total solutions to address the changing needs of the China's retail and consumer goods industries market, we may experience a significant decline in the demand for our programs. In such a scenario, our revenues may significantly decline.

The market for front-end supply chain total solutions is intensely competitive.

Although we believe that we have principal competitive factors in our markets, a number of companies offer competitive products addressing certain of our target markets. In the enterprise systems market, we compete with in-house systems developed by our targeted customers and with third-party developers. In addition, we believe that new market entrants may attempt to develop fully integrated enterprise-level systems targeting the China's retail and consumer goods industries. Many of our existing competitors, as well as a number of potential new competitors, have significantly greater financial, technical and marketing resources than we do. There can be no assurances that we will be able to compete successfully against current or future competitors. As a result of this product concentration and uncertain product life cycles, we may not be as protected from new competition or industry downturns as a more diversified competitor.

Our financial performance is directly related to our ability to adapt to technological change and evolving standards when developing and improving our front-end supply chain total solutions.

The software development industry is subject to rapid technological change, changing customer requirements, frequent new product introductions and evolving industry standards that may render existing software obsolete. The life cycles of our software are difficult to estimate. Our software products must keep pace with technological developments, conform to evolving industry standards and address the increasingly sophisticated needs of Chinese retailers, wholesalers, distributors and logistics companies. In particular, we believe that we must continue to respond quickly to users' needs for broad functionality. While we attempt to upgrade our software every one to two years, we cannot guarantee that our software will continue to enjoy market acceptance. To the extent we are unable to develop and introduce enhancements to existing products and new products in a timely manner, we believe that participants in the China's retail and consumer goods industries will obtain products from our competitors promptly and our sales will correspondingly suffer. In addition, we strive to achieve compatibility between our products and retailing systems platforms that we believe are or will become popular and widely adopted. We invest substantial resources in development efforts aimed at achieving this compatibility. If we fail to anticipate or respond adequately to technology or market developments, we could become less competitive and our revenue could be adversely affected.

Asset impairment reviews may result in future write-downs.

Our accounting policies require us, among other things, to conduct annual reviews of goodwill, and to test goodwill and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In connection with our business acquisitions, we make assumptions regarding estimated future cash flows and other factors to determine the fair value of goodwill and intangible assets. In assessing the related useful lives of amortizable intangible assets, we have to make assumptions regarding their fair value, our recoverability of those assets and our ability to successfully develop and ultimately commercialize acquired technology. If those assumptions change in the future when we conduct our periodic reviews in accordance with applicable accounting standards, we may be required to record impairment charges. We have made impairment loss of

intangible assets in 2011. It is possible that future reviews will result in further write-downs of goodwill and other intangible assets.

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The financial soundness of our clients and vendors could affect our business and results of operations.

As a result of the disruptions in the financial markets and other macro-economic challenges currently affecting the economy of the United States and other parts of the world, our clients, subcontractors, suppliers and other vendors may experience cash flow concerns. As a result, clients may modify, delay or cancel plans to purchase our services and vendors may reduce their output, change terms of sales, or stop providing goods or services to us. Additionally, if clients' or vendors' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, clients may not be able to pay, or may delay payment of, accounts receivable owed to us and vendors may restrict credit or impose different payment terms, or stop providing goods or services to us. Any inability of current or potential clients to pay us for our services or any demands by vendors for different payment terms may adversely affect our earnings and cash flow. Furthermore, if one or more of our vendors stops providing goods or services to us, or interrupts its provision of goods or services to us, our business could be disrupted and we may incur higher costs.

As a software-oriented business, our ability to operate profitably is directly related to our ability to develop and protect our proprietary technology.

We rely on a combination of trademark, trade secret, nondisclosure and copyright law to protect our front-end supply chain total solutions, which may afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties, including customers, may attempt to reverse engineer or copy aspects of our software products or to obtain and use information that we regard proprietary. Although we are currently unaware of any unauthorized use of our technology, in the future, we cannot guarantee that others will not use our technology without proper authorization.

Some of our software products are developed on third-party middleware software programs that are licensed by our customers from third parties, generally on a non-exclusive basis. Considering the fact that we believe that there are a number of widely available middleware programs available, we do not currently anticipate that our customers will experience difficulties obtaining these programs. The termination of any such licenses, or the failure of the third-party licensors to adequately maintain or update their products, could result in delay in our ability to ship certain of our products while we seek to implement technology offered by alternative sources. Nonetheless, while it may be necessary or desirable in the future to obtain other licenses, there can be no assurance that they will be able to do so on commercially reasonable terms or at all.

Our success and ability to compete depend substantially upon our intellectual property, which we protect through a combination of confidentiality arrangements and copyrights. We enter into confidentiality agreements with most of our employees and consultants, and control access to, and distribution of, our documentation and other licensed information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. Since the Chinese legal system in general and the intellectual property regime in particular, are relatively weak, it is often difficult to enforce intellectual property rights in China.

Third parties may initiate litigation against us alleging infringement of their proprietary rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

In addition, we may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Such claims could be time consuming, and result in costly litigation.

We may become subject to litigation for infringing the intellectual property rights of others.

We reached a settlement agreement with Microsoft Corporation (“Microsoft”) for the claim of infringement of Microsoft intellectual property rights in year 2012. Others may initiate claims against us for infringing on their intellectual property rights. We may be subject to costly litigation relating to such infringement claims and we may be required to pay compensatory and punitive damages or license fees if we settle or are found culpable in such litigation. In addition, we may be precluded from offering products that rely on intellectual property that is found to have been infringed by us. We also may be required to cease offering the affected products while a determination as to infringement is considered. These developments could adversely affect our business, financial condition and results of operations.

Our front-end supply chain total solutions may contain integration challenges, design defects or software errors that could be difficult to detect and correct.

Implementation of our software may involve a significant amount of systems developed by third parties. Although we have not experienced a material number of defects associated with our software to date, despite extensive testing, we may, from time to time, discover defects or errors in our software only after use by a customer. We may also experience delays in shipment of our software during the period required to correct such errors. In addition, we may, from time to time, experience difficulties relating to the integration of our software products with other hardware or software in the customer's environment that are unrelated to defects in our software products. Such defects, errors or difficulties may cause future delays in product introductions and shipments, result in increased costs and diversion of development resources, require design modifications or impair customer satisfaction with our software. Since our software solutions are used by our customers to perform mission-critical functions, design defects, software errors, misuse of our products, incorrect data from external sources or other potential problems within or out of our control that may arise from the use of our products could result in financial or other damages to our customers. To date, however, we have not had significant difficulties integrating our software into our customers' existing systems. We do not maintain product liability insurance. Although our license agreements with customers contain provisions designed to limit our exposure to potential claims as well as any liabilities arising from such claims, such provisions may not effectively protect us against such claims and the liability and costs associated therewith. To the extent we are found liable in a product liability case, we could be required to pay a substantial amount of damages to an injured customer, in addition to the cost of litigation, thereby negatively affecting our financial condition.

We are subject to cybersecurity risks and incidents, which could cause our business and reputation to suffer.

Our cloud service and myStore business involve the storage and transmission of customers' information, sales data and shopping preferences. The protection of our customer data is vitally important to us. While we have implemented measures to prevent security breaches and cyber incidents, our information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings and disrupt our operations and the services we provide to customers, which could adversely affect our business, financial condition and results of operations and damage our reputation. So far we have not experienced such attacks.

We have generated a significant shareholders' deficit, and we cannot provide any assurance that our business will be profitable in the future.

Though we achieved profitability from 2004 to 2006 and had a net income of RMB7,387,156 (US\$1,190,593) for the year ended December 31, 2014, we had an accumulated deficit of RMB114,906,766 (US\$18,519,609) as of December 31, 2014. As of December 31, 2014, our shareholders' equity was RMB130,431,387 (US\$21,021,724). While we have achieved profitability in previous years, there can be no assurance that we will be able to continue our growth or profitability.

myStore relies to a large extent on retailers to provide their services to consumers.

myStore is a mobile social network that connects consumers with retailers. In the early stage of development, we need to work closely with retailers to promote myStore among their members who subscribe for promotions or events. If we are unable to expand the myStore network, it will negatively impact the growth of myStore business. If we are not successful in retaining retailers or brand holders after myStore starts to generate revenues by charging transaction fees to retailers, brand holders, or consumers who purchase merchandise through myStore, our results of operations may be materially and adversely affected.

If we fail to keep up with rapid changes in technology and user behavior, our future success may be adversely affected.

Our future success will depend on our ability to respond to rapidly changing technologies, adapt our products and services to evolving industry standards and improve the performance and reliability of our products and services. Failure to adapt to such changes could negatively affect our business. In addition, changes in user behavior resulting from technological developments may also cause adverse effects. Mobile communications technologies are broadly implemented, and if we fail to develop products and technologies that are compatible with all mobile devices and operating systems, or if the products and services we develop are not widely accepted and used by users of various mobile devices and operating systems, we may not be able to fully penetrate the mobile internet market. In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or integrate our products, services or infrastructure. If we fail to keep up with rapid technological changes to remain competitive, our future success may be adversely affected.

If myStore fails to continue to innovate and provide products and services that attract and retain users, it may not be able to generate sufficient user traffic levels.

In order to attract and retain users and enable users to enjoy a high-quality shopping and social networking experience, myStore must continue to invest significant resources in research and development to enhance the technology, improve our existing products and services and introduce additional high-quality functions and services. If we are unable to anticipate user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose users. Our results of operations may also suffer if our innovations do not respond to the needs of our users, are not appropriately timed with market opportunities or are not effectively brought to market. As technology continues to develop, our competitors may be able to offer products and services that are, or that are perceived to be, substantially similar to or better than those provided by us. This may force us to expend significant resources in research and development and strategic investments and acquisitions in order to remain competitive.

RISKS RELATED TO CONDUCTING OUR BUSINESS IN CHINA

A slowdown in the Chinese economy may slow down our growth and profitability.

The Chinese economy has shown signs of slowdown in recent years, which may have a negative effect on our business. The Chinese government's focus is to forge a more sustainable economic model and move forward with reforms. Slowdown in the Chinese economy will likely impact the financial performance of the retailing, distribution, logistics and manufacturing industries in China. Consequently, under such circumstances, our customers may opt to delay discretionary expenditures like those for our software, which, in turn, could result in a material reduction in our sales.

Our customers are Chinese companies engaged in the retail and consumer goods industries, and, consequently, our financial performance is dependent upon the economic conditions of these industries.

We have derived most of our revenues to date from software and services to the Chinese retail and consumer goods industries for manufacturers, distributors, logistics player and retailers, and our future growth is critically dependent on increased sales to these particular industries. The success of our customers is intrinsically linked to economic conditions in these industries, which in turn are subject to intense competitive pressures and are affected by overall economic conditions. We believe the license of our software solutions and the purchase of our related services is discretionary and generally involves a significant commitment of capital. As a result, although we believe our products can assist China's retailers, distributors, wholesalers, and logistics companies in a competitive environment, demand for our products and services could be disproportionately and adversely affected by instability or downturns in the retailing, distribution, wholesaling and logistics industries, which may cause customers to exit the industry or

delay, cancel or reduce any planned expenditures for information management systems and software products. We have previously experienced this effect in connection with the global financial crises and economic downturn, placed upon China's retailing industry in recent years. There can be no assurance that we will be able to continue our historical revenue growth or achieve profitability on a quarterly or annual basis. Our results of operations will not be adversely affected by continuing or future downturns in these industries. Any adverse change in the Chinese retail and consumer goods industries could adversely affect the level of software expenditure by the participants in these industries, which, in turn, could result in a material reduction in our sales.

We depend upon contractual arrangements with our VIE for our business and these arrangements may not be as effective in providing operational control over these businesses as direct ownership and may be difficult to enforce.

Because PRC regulations restrict or prohibit our ability to provide internet content service directly in PRC, we are dependent on our VIE in which we have no direct ownership interest, to operate those businesses through contractual arrangements. These contractual arrangements may not be as effective in providing operational control over these businesses as direct ownership. For example, the VIE could fail to take actions required for our business despite their contractual obligation to do so. The VIE is able to transact business with parties not affiliated with us. If the VIE fails to perform their obligations under these arrangements, we may have to rely on legal remedies under PRC law. We cannot assure you that such remedies under PRC law would be effective or sufficient.

According to the PRC laws, a share pledge agreement is required to be registered with the Administration for Industry and Commerce. We have completed the registration of the share pledge agreements between eFuture Beijing, Weidian, our VIE, and Weidian's shareholders.

If the PRC government finds that the agreements that establish the structure for operating Weidian, our VIE, do not comply with applicable PRC laws and regulations, we could be subject to penalties and other actions.

Because PRC laws and regulations currently restrict any foreign investments in the telecommunication business in China by certain requirements to the registered capital and the ownership proportion of the foreign party, we are dependent on our VIE in which we have no direct ownership interest, to operate the business through various contractual arrangements. These contractual arrangements enable us to (1) have the power to direct the activities that most significantly affect the economic performance of Weidian; (2) receive substantially all of the economic benefits from Weidian in consideration for the services provided by our wholly owned subsidiary in China; and (3) have an exclusive option to purchase all or part of the equity interests in Weidian, when and to the extent permitted by PRC law, or request any existing shareholder of Weidian to transfer all or part of the equity interest in Weidian to another PRC person or entity designated by us at any time, in our discretion.

If eFuture Beijing, Weidian, or the contractual arrangements, are determined to be in violation of any existing or future PRC laws, rules or regulations, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- imposing fines;
- requiring us, eFuture Beijing or Weidian, to restructure the relevant ownership structure or operations;
- revoking the ICP license of Weidian.

The imposition of any of these actions would disrupt our ability to conduct business and may adversely affect our financial results.

The draft PRC Foreign Investment Law if enacted as proposed may adversely impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Ministry of Commerce is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in

many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company should be treated as a foreign-invested enterprise (“FIE”). According to the definition set forth in the draft Foreign Investment Law, FIEs refer to enterprises established in China pursuant to PRC law that are solely or partially invested by foreign investors. The draft Foreign Investment Law specifically provides that entities established in China (without direct foreign equity ownership) but “controlled” by foreign investors, through a contract or trust for example, will be treated as FIEs. Once an entity falls within the definition of FIE, it may be subject to foreign investment “restrictions” or “prohibitions” set forth in a “negative list” to be separately issued by the State Council later. If an FIE proposes to conduct business in an industry subject to foreign investment “restrictions” in the “negative list,” the FIE must apply for a market entry clearance by the Ministry of Commerce before being established. If an FIE proposes to conduct business in an industry subject to foreign investment “prohibitions” in the “negative list,” it is not permitted to engage in the business. However, an FIE, during the market entry clearance process, may apply in writing to be treated as a PRC domestic enterprise if its foreign investor(s) is/are ultimately “controlled” by the PRC government authorities and its affiliates and/or PRC citizens. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% or more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exercise material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exercise decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations.

Under the draft Foreign Investment Law, VIEs that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is included in the “negative list” as a restricted industry, the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC government authorities and its affiliates or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

The nominee shareholders of our VIE, Beijing Weidian, are PRC citizens. The draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while it is soliciting comments from the public on this point. Moreover, it is uncertain whether the businesses in which our VIE engages, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as Ministry of Commerce market entry clearance, to be completed by companies with existing VIE structure like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

The draft Foreign Investment Law, if enacted as proposed, may materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation reporting and investment amendment reporting that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, which may substantially disrupt our business.

The registered shareholders of our VIE entity, Weidian, include our current senior management and employees. Conflicts of interest may arise between such shareholders' duties to us and our VIE entity. If such conflicts arise and these shareholders do not act in our best interests, our business may be adversely affected. In addition, these shareholders may breach or cause our VIE entity to breach or refuse to renew their existing contractual arrangements that allow us to exercise effective control over them and to receive economic benefits from them. If we cannot resolve any conflicts of interest or disputes between us and any current or future registered shareholders of our VIE entity, we would have to resort to legal proceedings to remedy the situation, the outcome of which is uncertain and which may result in substantial costs and disruptions, which would negatively impact our business.

If we are found to be in violation of current or future PRC laws and regulations regarding Internet-related services and telecom-related activities, we could be subject to penalties.

The PRC has enacted regulations that apply to Internet-related services and telecom-related activities. While many aspects of these regulations remain unclear, they purport to limit and require licensing of various aspects of the provision of Internet information and content and online advertising services.

Weidian, our VIE, has obtained a license for the provision of Internet content services ("ICP license") on May 24, 2011. However, if current or future laws or regulations regarding Internet-related activities are interpreted to be inconsistent with our ownership structure and/or its business operations, our business could be severely impaired and it could be subject to severe penalties.

Our business could suffer if our executives and directors compete against us and our non-competition agreements with them cannot be enforced.

If any of our management or key personnel joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our directors and executive officers has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our directors and officers and us, the non-competition provisions contained in their confidentiality and non-competition agreements may not be enforceable, especially in China, where most of these executive officers and key employees reside, on the ground that we have not provided adequate compensation to these executive officers for their non-competition obligations, which is required under the relevant PRC regulations.

We may be subject to fines and legal sanctions if we or our employees who are PRC citizens fail to comply with PRC regulations relating to employee stock options granted by overseas listed companies to PRC citizens.

In March 2007, SAFE issued the Application Procedure for Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plans or Stock Option Plans of Overseas Listed Companies, also known as "Circular 78." Under Circular 78, PRC individuals who participate in an employee stock option holding plan or a stock option plan of an overseas listed company are required, through a PRC domestic agent or PRC subsidiary of the overseas listed company, to register with SAFE and complete certain other procedures. We and our Chinese employees who have been granted restricted shares or stock options pursuant to our stock incentive plans are subject to Circular 78 because we are an overseas listed company. However, in practice, significant uncertainties exist with respect to the interpretation and implementation of Circular 78. We have completed the registration of our existing employee stock incentive plans. If we or our Chinese employees fail to comply with, qualify under, or obtain any registration required by Circular 78 regarding future employee stock incentive plans, we or they may be subject to fines and legal sanctions imposed by SAFE or other PRC governmental authorities, which could result in a material

and adverse effect to our business operations and employee stock incentive plans.

We do not have business interruption, litigation or natural disaster insurance.

The insurance industry in China is still at an early stage of development. In particular PRC insurance companies offer limited business products. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business interruption, litigation or natural disaster may result in our business incurring substantial costs and the diversion of resources.

Changes in China's political and economic policies could harm our business.

The economy of China has historically been a planned economy subject to governmental plans and quotas and has, in certain aspects, been transitioning to a more market-oriented economy. Although we believe that the economic reform and the macroeconomic measures adopted by the Chinese government have had a positive effect on the economic development of China, we cannot predict the future direction of these economic reforms or the effects these measures may have on our business, financial position or results of operations. In particular, the government could change these economic reforms or any of the legal systems at any time. The influencing factors include level of government involvement in the economy, control of foreign exchange, methods of allocating resources, balance of payments position, international trade restrictions and conflict.

Labor laws in the PRC may adversely affect our results of operations.

As of December 31, 2014 we had approximately 744 employees in the PRC. On June 29, 2007, the PRC Government promulgated a new labor law, namely, the Labor Contract Law of the PRC, or the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law establishes more restrictions and increases costs for employers to dismiss employees under certain circumstances, including specific provisions related to fixed-term employment contracts, non-fixed-term employment contracts, task-based employment, part-time employment, probation, consultation with the labor union and employee representative's council, employment without a contract, dismissal of employees, compensation upon termination and for overtime work, and collective bargaining. According to the Labor Contract Law, unless otherwise provided by law, an employer is obliged to sign a labor contract with a non-fixed term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts or if the employee has worked for the employer for ten consecutive years. Severance pay is required if a labor contract expires without renewal because the employer refuses to renew the labor contract or provides less favorable terms for renewal. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on the number of the employee's working years at the employer. Employees who waive such vacation time at the request of employers shall be compensated for three times their regular salaries for each waived vacation day. As a result of these new measures designed to enhance labor protection, our labor costs are expected to increase, which may adversely affect our business and our results of operations. In addition, the PRC government in the future may enact further labor-related legislation that increases our labor costs and restricts our operations.

If PRC law were to phase out the preferential tax benefits currently being extended to qualified "High and New Technology Enterprises", we would have to pay more taxes, which could have a material and adverse effect on our financial condition and results of operations.

According to the PRC Corporate Income Tax Law, or the CIT Law, which became effective on January 1, 2008, as further clarified by subsequent tax regulations implementing the CIT Law, foreign-invested enterprises and domestic enterprises are subject to corporate income tax, at a uniform rate of 25%. The CIT rate of enterprises established before March 16, 2007 that were eligible for preferential tax rates according to then effective tax laws and regulations gradually transitioned to the uniform 25% CIT rate by January 1, 2013. In addition, certain enterprises may still benefit from a preferential tax rate of 15% under the CIT Law if they qualify as "high and new technology enterprises strongly supported by the state," subject to certain general factors described in the CIT Law and the related regulations.

In December 2008, our subsidiary eFuture Beijing was designated as "High and New Technology Enterprises" under the CIT Law, which entitles it to a preferential CIT rate of 15% from 2008 to 2014. If it fails to maintain the "High and New Technology Enterprises" qualification after 2014, its applicable CIT rate may increase to up to 25%, which could have a material adverse effect on our results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

If the PRC law were to phase out preferential tax benefits currently granted to "High and New Technology Enterprises" or if we ceased to qualify as such, we would be subject to the standard statutory tax rate, which currently is 25%.

If we fail to comply with privacy protection regulations, we may face criminal charges, administrative sanctions, or be ordered to suspend our business operation, which could adversely affect our operation and financial results.

As an internet content provider, we are subject to regulations relating to protection of privacy. Under the Internet Measures, internet content providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet content providers that violate the prohibition may face criminal charges or administrative sanctions by PRC security

authorities. In addition, relevant authorities may suspend their services, revoke their licenses or temporarily suspend or close down their websites. Furthermore, under the Administration of Internet Bulletin Board Services issued by the Ministry of Information Industry in November 2000, internet content providers that provide electronic bulletin board services must keep users' personal information confidential and are prohibited from disclosing such personal information to any third party without the consent of the users, unless otherwise required by law. The regulation further authorizes relevant telecommunication authorities to order internet content providers to rectify any unauthorized disclosure. Internet content providers could be subject to legal liabilities if unauthorized disclosure causes damages or losses to internet users. However, the PRC government retains the power and authority to order internet content providers to provide the personal information of internet users if the users post any prohibited content or engage in illegal activities through the internet. We believe that we are currently in compliance with these regulations in all material aspects.

China's legal system embodies uncertainties that could adversely affect our ability to engage in the development and integration of the front-end supply chain total solutions.

Since 1979, the Chinese government has promulgated many new laws and regulations covering general economic matters. Despite this activity to develop a legal system, China's system of laws is not yet comprehensive. Even where adequate law exists in China, enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of China's judiciary, in many cases, creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Noting that our business is substantially dependent upon laws protecting intellectual property rights, any ambiguity in the interpretation or implementation of such laws may negatively impact our business, its financial condition and results of operation. Our activities in China will also be subject to administration review and approval by various national and local agencies of China's government. Because of the changes occurring in China's legal and regulatory structure, we may not be able to secure the requisite governmental approval for our activities. Although we have obtained all required governmental approval to operate our business as currently conducted, to the extent we are unable to obtain or maintain required governmental approvals, the Chinese government may, in its sole discretion, prohibit us from conducting our business.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, conduct most of our operations in China and most of our officers and directors reside outside the United States.

We are incorporated in the Cayman Islands, and conduct most of our operations in China through our subsidiaries in China. Most of our officers and directors reside outside the United States and some of the assets of those persons are located outside of the United States. It may be difficult or impossible for you to bring an original action against us or against these individuals in a Cayman Islands or Chinese court in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. You would also find it difficult to enforce a U.S. court judgment based on the civil liability provisions of the U.S. federal securities laws, in the United States, the Cayman Islands or China, against us or our officers and directors.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law, Cap. 22 (2012 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against us or our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

There can be no guarantee that China will comply with the membership requirements of the World Trade Organization.

Due in part to the relaxation of trade barriers following World Trade Organization accession in January 2002, we believe China will become one of the world's largest markets by the middle of the twenty-first century. As a result, we believe the Chinese market presents a significant opportunity for both domestic and foreign companies. With the Chinese accession to the World Trade Organization, Chinese industries are gearing up to face the new regimes that are required by World Trade Organization regulation. The Chinese government has begun to reduce its average tariff on imported goods. We believe that a tariff reduction on imported goods combined with increasing consumer demand in China may lead to increased demand for our logistics programs. China has also agreed that foreign companies will be allowed to import most products into any part of China. Current trading rights and distribution restrictions are to be phased out over a three-year period. In the sensitive area of intellectual property rights, China has agreed to implement the trade-related intellectual property agreement of the Uruguay Round. As our business is dependent upon the protection of our intellectual property in China and throughout the world, China's decision to implement intellectual property protection standards that coordinate with other major economies is of critical importance to our business and its ability to generate profits. However, there can be no assurances that China will implement any or all of the requirements of its membership in the World Trade Organization in a timely manner, if at all.

RISKS RELATED TO THE MARKET FOR OUR STOCK

We may not pay dividends.

We have not previously paid any cash dividends nor do we anticipate paying any dividends on our ordinary shares. Although we achieved profitability from 2004 to 2006 and had a net income of RMB7,387,156 (US\$1,190,593) for the year ended December 31, 2014, we cannot assure you that our operations will generate sufficient revenues to enable us to operate at profitable levels or to generate positive cash flows. Indeed, we had net losses of RMB4,509,616 and RMB7,451,510 for the years ended December 31, 2012 and 2013, respectively. Furthermore, there is no assurance our Board of Directors will declare dividends even if we are profitable. Dividend policy is subject to the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements and other factors. Under Cayman Islands law, we may only pay dividends from profits or credit from the share premium account (the amount paid over par value, which is \$0.0756), and we must be solvent before and after the dividend payment. If we determine to pay dividends on any of our ordinary shares in the future, as a holding company, we will be dependent on receipt of funds from our operating wholly- and partially-owned subsidiaries.

Our company's share price may be adversely affected by negative investor perceptions of small Chinese companies.

In the last couple of years, many smaller U.S.-listed companies that operate primarily in China have seen the public value of their securities decrease significantly. One factor in such decreases has been the widespread allegation of fraud and unreliable financial reporting. Another factor has been a number of negative research reports published about Chinese companies, sometimes by parties that sell the securities short prior to publishing the research report in order to capitalize on subsequent share price decreases. The SEC and other agencies and self-regulatory organizations are looking into specific allegations of wrongdoing and monitoring U.S.-listed Chinese companies in general.

As a result of the actions by some Chinese companies and the media and governmental attention focused on all Chinese companies, the share prices of nearly all smaller Chinese companies like ours have been adversely affected,

whether or not warranted in any particular case. If investors continue to lose confidence in smaller Chinese companies or if we are unable to differentiate our company in investors' estimation from the problematic Chinese companies, then we expect that our share price will continue to be harmed.

We may need additional capital and issue additional securities, which could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations, and the related covenants could restrict our operations and business activities.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may pursue. If our cash resources are insufficient to satisfy investments or acquisitions, we may determine to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and may result in operating and financing covenants that would restrict our operations. Our ability to raise additional funds in the future is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of software and services providers;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in software and services in China;
- economic, political and other conditions in China, and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that, if we need additional cash, financing will be available in amounts or on terms acceptable to us, if at all, especially in the event of a severe and prolonged global economic recession. If we fail to raise additional funds, we may need to reduce our growth to a level that can be sustained by our cash flow. Without additional capital, we may not be able to acquire necessary technologies and develop new services and products, or respond to competitive pressures or unanticipated capital requirements.

Governmental control of currency conversion may affect the value of our ordinary shares.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi are to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuation in the value of the Renminbi may have a material adverse effect on the value of our ordinary shares.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. The Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. There remains significant international pressure on the

PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. We rely entirely on dividends and other fees paid to us by our subsidiaries in China. Any significant revaluation of Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares in U.S. dollars. For example, an appreciation of Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. An appreciation of Renminbi against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into Renminbi, as the Renminbi is our reporting currency.

Shareholder rights under Cayman Islands law may differ materially from shareholder rights in the United States, which could adversely affect the ability of us and our shareholders to protect our and their interests.

Our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association, by the Companies Law (2012 Revision) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders, and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law in the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law in this area may not be as clearly established as they would be under statutes or judicial precedent in existence in some jurisdictions in the United States. In particular, the Cayman Islands has a less formal body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate laws. Moreover, our company could be involved in a corporate combination in which dissenting shareholders would have no rights comparable to appraisal rights which would otherwise ordinarily be available to dissenting shareholders of United States corporations. However, Cayman Islands statutory law does provide a mechanism for a dissenting shareholder in a merger or consolidation to apply to the Grand Court for a determination of the fair value of the dissenter's shares, if it is not possible for the Company and the dissenter to agree a fair price. Also, class actions are not recognized in the Cayman Islands but groups of shareholders with identical interests may bring representative proceedings which are similar. Subject to limited exceptions, under Cayman Islands law a minority shareholder may not bring a derivative action against a board of directors. Our Cayman Islands counsel has advised us that they are aware of one recent yet unreported derivative action having been brought in the Cayman Islands. Such actions are ordinarily available in respect of United States corporations in U.S. courts. Finally, Cayman Islands companies may not have standing to initiate shareholder derivative action before the federal courts of the United States. As a result, our public shareholders may face different considerations in protecting their interests in actions against the management, directors or our controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States, and our ability to protect our interests may be limited if we are harmed in a manner that would otherwise enable us to sue in a United States federal court.

High technology and emerging market shares have historically experienced extreme volatility and may subject you to losses.

The trading price of our shares may be subject to significant market volatility due to investor perceptions of investments relating to China. In addition, the high technology sector of the stock market frequently experiences extreme price and volume fluctuations, which have particularly affected the market prices of many software companies and which have often been unrelated to the operating performance of those companies.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB. Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of

PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors.

Based upon the nature of our business activities, we may be classified as a passive foreign investment company (“PFIC”) by the U.S. Internal Revenue Service (“IRS”) for U.S. federal income tax purposes. Such characterization could result in adverse U.S. tax consequences to you if you are a U.S. investor. For example, if we are a PFIC, a U.S. investor will become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for U.S. tax purposes if either:

- 75% or more of our gross income in a taxable year is passive income; or
- the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%.

The calculation of the value of our assets is based, in part, on the then market value of our ordinary shares, which is subject to change. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raised in our initial public offering. We cannot assure you that we will not be a PFIC for any taxable year.

Item 4. Information on the Company

A. History and Development of the Company

We were established under the Cayman Islands Companies Law on November 2, 2000 to serve as a holding company for our subsidiary, eFuture (Beijing) Royalstone Information Technology Inc. (“eFuture Beijing”, formerly known as eFuture (Beijing) Tornado Information Technology Inc.). eFuture Beijing is a PRC company established in January 2000 for the development of our intellectual property. On October 31, 2006, we listed on the NASDAQ Capital Market under the symbol “EFUT,” and we changed our name from “e-Future Information Technology Inc.” to “eFuture Information Technology Inc.” in December 2008.

On December 20, 2012, we established the wholly owned subsidiary eFuture (Hainan) Royalstone Information Technology Inc. (“eFuture Hainan”) in Hainan Province, PRC. Since its incorporation, eFuture Hainan has not generated substantial business.

Acquisition and Disposition of Biaoshang and Wangku

On November 6, 2007, we acquired 51% majority equity interests in Beijing Fuji Biaoshang Information Technology Inc., or Biaoshang, from its original shareholders through our nominee, Mr. Tingchao Zhao, for RMB1.0 million pursuant to an equity transfer agreement between Mr. Tingchao Zhao and Mr. Boyong Jiang, who held 80% equity interests in Biaoshang. Biaoshang was incorporated on September 8, 2000 in Beijing, China and is engaged in information technology services.

On May 14, 2008, we acquired 51% majority equity interests in Beijing Wangku Hutong Information Technology Co., Ltd., or Wangku, from its original shareholders through our nominee Mr. Xuejun Zhang for RMB1.24 million pursuant to an equity transfer agreement between Mr. Xuejun Zhang and the original shareholders. Wangku was incorporated on June 27, 2005 in Beijing, China and is engaged in information technology services.

On July 16, 2010 and March 13, 2011, the Company sold its equity interests in Biaoshang and Wangku, respectively, for an aggregate sale price of RMB9.47 million pursuant to equity transfer agreements.

Acquisition of the Assets of Guangzhou Royalstone

In August 2007, we acquired the assets of Guangzhou Royalstone System Integration Co. Ltd., or Guangzhou Royalstone, pursuant to an asset transfer agreement between Crownhead Holding Limited and us whereby we acquired the assets and business of Guangzhou Royalstone from its original shareholders. As a result of the acquisition, we renamed eFuture (Beijing) Tornado Information Technology Inc. to eFuture Beijing.

Acquisition of the Assets and Business of Proadvancer

In April 2008, we acquired the assets and business of Proadvancer Systems Inc., or Proadvancer, pursuant to an assets and business transfer agreement between eFuture Beijing, Proadvancer System (BVI), Inc., Mr. Lu Kuang Yang, who is the shareholder of Proadvancer, and Proadvancer's PRC subsidiaries, Proadvancer Systems (Suzhou) Computer Application Software Co., Ltd, Beijing Proadvancer Technology Co., Ltd, whereby we acquired the assets and business of Proadvancer.

VIE entity-Weidian

PRC laws, rules and regulations currently restrict foreign-invested entities engaging in the operation of internet-related businesses in China. To comply with PRC laws, rules and regulations, we operate our e-Commerce service through our VIE, Weidian. On January 18, 2011, through eFuture Beijing, we entered into certain contractual arrangements with Weidian and its shareholders through which we gained effective control over the operations of Weidian. The contractual agreements consist of (1) Loan Agreement, (2) Share Pledge Agreement, (3) Exclusive Option Agreement, (4) Exclusive Business Cooperation Agreement and its Supplemental Agreement and (5) Power of Attorney.

B. Business Overview

General

eFuture Information Technology Inc. (Nasdaq: EFUT) is a leading provider of software and mobile social shopping network services to China's rapidly growing retail and consumer goods industries. As a pioneer and proponent of omni-channel and mobile internet solutions in the Asia-pacific, we developed myStore, a mobile shopping social network, to connect consumers and physical stores. The Company's strong brand recognition and lasting relationships among local and international clients, along with key strategic partnerships with leading global technology companies ensures eFuture's ability to stay at the forefront of industry trends and cement its leading role in China's retail and consumer markets.

Vision

Where there are consumers, there is eFuture.

Mission

Creating a happy consumer world.

Our Market

RETAIL MARKET IN CHINA

The global retail industry is undergoing a significant transformation. The most notable driver for these changes is undoubtedly the migration of offline retail sales to online channels. While the impact of this trend has become more evident in developed economies, the long-term potential to fundamentally transform traditional retail is expected to be greater in markets where the traditional retail sector remains underdeveloped. Consumers and brands in those markets tend to be more willing to adopt new online retail business models.

As a result of increased ownership of mobile devices, mobile Internet has become more and more popular, and it represents an indispensable part of the lives of its users. Since telecom operators make great efforts to promote “free traffic packages”, which allow those using mobile applications not to incur high traffic charges, the bottleneck for mobile internet development will ultimately be resolved. Mobile device users’ habits will change and the whole mobile Internet industry is expected to develop even more rapidly.

The Fast Growing Domestic Retail Market

The retail market in China is in the midst of an extended period of robust growth, driven by increasing urbanization and higher levels of disposable income.

China's retail sales grew 12% year-over-year to RMB26.24trillion (US\$4.20 trillion) in 2014, according to China's National Bureau of Statistics. Alongside the rapid growth of China's retail sales, China's domestic consumption pattern is also undergoing significant development. Historically, China's economic growth has been largely driven by investments in fixed assets and exports, but the spending patterns of China's increasingly affluent population are beginning to expand beyond basic daily necessities to encompass more lifestyle products and services. Retail sales are expected to continue to grow as a percentage of China's GDP as private consumption becomes a more important component of China's economy.

The relatively early stage of development in China's retail market is characterized by several notable factors and trends:

Highly fragmented: The retail market in China is highly fragmented. As an example, the combined market share of the top 20 retailers in China was 7% in 2010, compared with 24% in the U.S., according to the Frost & Sullivan Report.

Insufficient coverage: Retail coverage in China lags behind consumers' increasing purchasing power for lifestyle products and services. According to the Frost & Sullivan Report, retail space in China was approximately 2 square feet per capita in 2009, compared with approximately 24 square feet per capita in the U.S. The breadth of product offerings and brand selection is often restricted by limited retail space, particularly in China's smaller cities.

Low-margin: As shown in the IDC International Sales Effectiveness Study 2012, point of sales ("POS") & Peripheral devices in stores accounted for the biggest share – approximately 25% of a company's IT spending – which indicates the company's attachment to the precise management of resources as the retail industry moves towards an increasingly low-margin phase. myStore serves as an extension of eFuture's POS solution, and can help customers to locate promotional targets at a faster pace and with lower costs.

Retail technology: For a retailer to effectively compete, it is now essential to master retail technology.

Optimization – Innovation – Diversification: To ensure healthy business growth, retailers will increasingly need to maintain a unique selling point, higher operational efficiency, core competency, and a diversified business model.

Digital Marketing Revenue Size in China

The Online Ad Market in China

China's online ad market and mobile ad market has exploded in recent years, and according to forecasts it will continue its rapid growth into the future. According to iResearch, China's online advertising revenue is estimated to grow to RMB393 billion in 2018 and mobile advertising spending to RMB1.38 billion in 2015. China online advertising revenues rose 40% to RMB154 billion in 2014 over 2013.

According to an iResearch report (2014), new opportunities are coming for mobile advertising and its marketing form will continuously embrace innovation. Ownership of smart devices such as smart phones and tablets is going up, and wearable devices and smart household appliances are expected to experience significant growth. With rapid development of 4G networks and wide application of various apps about mobile social networking, mobile video, mobile map, etc., mobile marketing is expected to see new opportunity. Technologies such as QR code, acoustic wave and virtual reality remain to be attractive and mobile advertising will display ads and interact with audiences in manners different from PC-based online advertising.

In 2014, revenues of mobile advertising including mobile search advertising, app advertising, and mobile video advertising reached RMB29.69 billion with a high growth of over 100%. iResearch predicts that future mobile advertising will continue its high growth, much higher than that of online advertising market. It will become the core engine of internet advertising growth.

2014 saw high growth in revenue of mobile app advertising platforms. In this year, overall the mobile advertising market became mature and competitions became more regulated. On one hand, advertisers were in great demand and constantly increase investment in mobile advertising. Also, brand advertisers increased their advertising budgets. On the other hand, media environment becomes more mature, and more abundant, with additional advertising forms such as native advertising, video advertising appear.

The Emergence of E-commerce Channels

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The emergence and growth of e-commerce channels have been driven by improvements in the accessibility and functionality of the internet, which means Chinese consumers can research and purchase products and services online more conveniently than before. The continued increase in migration from traditional retail to e-commerce is further accelerated by improving fulfillment and logistics networks, as well as the increased availability of online payment options.

According to iResearch China e-commerce GMV hit RMB12.3 trillion in 2014, up 21.3% from 2013. It is expected to keep growth stable in the next few years and to reach RMB24.2 trillion in 2018. Among China e-commerce market segments, mobile shopping is expected to develop rapidly and maintain a compounded growth rate of 48% in the next few years. It is expected to be a key factor for the rapid development of online shopping market. Moreover, online travel, offline to online and online to offline ("O2O") are expected to sustain a compounded growth rate of 20% as well.

In the future, online shopping and O2O is expected to be the fastest developing segment in the e-commerce market.

IT solutions technologies have become increasingly important for retailers as they seek to achieve a unique market position. A third party solution provider like myStore, amongst its many capabilities, is able to optimize inventory management and integrate consumer information and customer management, along with order fulfillment.

Brand premium – that is, the ability to consistently deliver what the consumers expect for a higher price – is expected to become the defining factor for profitability. Knowing the needs of potential customers is tantamount to success. A powerful database of consumer information that provides insights to continuously improve the consumer experience, combined with an ability to effectively manage personalized customer relationships, will be of significant business value. On a vastly different track to the traditional retail industry, myStore, an information-exchange platform, enables suppliers to efficiently analyze sales and consumer behavior so as to enhance engagements with potentially interested customers.

- M-Commerce in China

Mobile commerce (m-commerce), specifically, e-commerce conducted by users on mobile devices such as smart phones and tablet PCs, is a fast growing segment in the e-commerce market.

According to the iResearch report (2014), the soaring usage of mobile Internet, shift from PC to mobile device of Internet users, improved mobile shopping scenarios, ecommerce operators' rising efforts on mobile business and development of mobile shopping platforms all contribute to the surging of mobile shopping in China. Therefore, it is expected that mobile shopping will maintain its fast growth in the future years.

According to 2014 China Online Shopping Report released by iResearch, China's online shopping market GMV amounted to RMB2.8trillion in 2014, increasing 48.7% over 2013. In 2014, GMV of online shopping market comprised 10.7% of the total retail sales of consumer goods, increasing 2.8%.

iResearch data shows China mobile shopping GMV amounted to RMB929.71 billion in 2014, increasing 239.3%, a rate much higher than that of the whole online shopping market and PC online buying. Mobile shopping also took up 33.0% of the whole online shopping market, nearly 19% higher than 2013. iResearch believes that mobile shopping will keep expanding its market share in the coming years and finally surpass PC online shopping in 2016.

Strong merchandising capabilities: Consistently attracting consumers through the selection of carefully selected merchandise offered on flash sales websites engenders customer loyalty and enhances the effectiveness of marketing.

For more information regarding our industry and trends see Item 5(D) - Trend Information in this report. For more information regarding our revenues by category of activities for the years ended December 31, 2012, 2013 and 2014 see Item 5(A) - Operating Results in this report.

Our Clients

eFuture's clients include manufacturers, distributors, resellers, logistics companies and retailers. The Company's client base encompasses global corporations such as Procter & Gamble, Pepsi and Carrefour as well as leading Chinese companies. Its domestic client base includes over 45 companies that were ranked among China's top 100 retailers during 2013, such as Suning, Shanghai Bailian-Lianhua, China Resources Vanguard, Beijing Wangfujing Tmall.com and JD.com.

Growth Strategy

Our new strategy will blend multiple forces to create a truly omni-channel model that redefines the consumer experience, and will hope to play an important role in accelerating the inevitable transition to mobile internet.

Our Products and Services

eFuture provides a one-stop, end-to-end integrated portfolio of software and services for the front-end supply chain from factory to consumer. eFuture operates three business lines: software solutions, myStore and omni-channel cloud service.

Software Solutions represent eFuture's traditional software business. Our Software solutions' mission is to digitize every value chain and each decision made by the customers. Our software professional service includes delivery services, recurring maintenance services and the construction of a reliable support service system. This proven model is a fundamental pillar for successful software companies.

myStore is a mobile social network connecting physical stores and its local consumers. Our goal is to digitize every consumer and form a significant database, which is the base of anticipating the trend of retail industry in the future. To advance our goal, we have launched myStore apps for consumers and retailers and accelerated investment in R&D.

Omni-channel Cloud Services includes myStore-driven omni-channel solutions, digital labor cloud services and digital social media marketing services. We are committed to creating a complete consumer experience by utilizing an omni-channel model, and in the process helping retailers and brands gain significant competitive advantages in today's mobile internet age.

For more information regarding our revenues by category of activities for the years ended December 31, 2012, 2013 and 2014 please see Item 5(A) - Operating Results in this report.

Software Solutions

Our software solutions are specifically designed to optimize demand processes from factory to consumer, and to address SCM, business processes, decision support, inventory optimization, collaborative planning and forecasting requirements. Our software solutions integrate industry know-how with predictive information technologies, consulting services and best practices to help our clients create, manage and fulfill customer demand.

Our solutions can be deployed individually to meet specific needs, or as part of a scalable and fully-integrated end-to-end solution. Our software solutions consist of three independently deployable groups of products: Foundation Solutions, Collaborative Solutions and Intelligent Solutions, which range from internal and external collaborative process management to sophisticated business analysis.

Foundation Solutions– are used to meet client needs for services such as retail management, point of sale (“POS”), distribution management, logistics management, warehouse management, vendor payment and control and loyalty card management. Our clients use several of our Foundation Solutions, depending on the type of customer and their needs.

Collaborative Solutions– are used to meet client needs for services such as visual SCM and visual process management systems. Depending on the type of customer and their specific needs, our clients use a variety of Collaborative Solutions.

Intelligent Solutions– are used to meet client needs for services such as business intelligence, brand analysis, supplier relationship management and customer relationship management systems.

Professional Services

Our software professional services business includes recurring maintenance and support services on existing software installations, delivery services, consulting services and outsourcing services.

Maintenance and Support Service– is provided following the installation of our software solutions, as clients will typically require ongoing maintenance support and software upgrades to ensure the efficient operation of their system. These services are designed to assist our customers with integration issues and to answer any questions that may arise.

Following a one-year regular maintenance program, an element of our initial software installation, our customers may choose to purchase three types of continued annual maintenance services. Under our Regular Service, we generally provide remote support over the telephone or internet during regular business hours. For our customers who elect to purchase our Advanced Service at a higher cost, we will provide these services at the customer’s location and on a real-time basis, if appropriate. We can also provide a Customized Service when some customers require a dedicated service executive and customized service plan with additional cost. Each level of maintenance offers customers a variety of options to meet their particular needs.

While on-site with our customers, it is common for us to identify problems and issues that we believe the customer should address in tandem with the use of our software. Items that we may discuss with our customers include increasing the size of data storage or the configuration of hardware. We report these identified items by giving written recommendations for actions the customer should consider. The objective is to report our general suggestions and not provide the detailed evaluation that would typically be performed under our consulting arrangements. If our customer deems additional services to be necessary, we will then enter into a separate consulting agreement with the customer. These maintenance services are unrelated to the development and installation of program upgrades that we develop from time to time.

Delivery Service— is provided to customers to assist in planning and executing their projects throughout the management process. We typically provide the following services at different stages of a project, as illustrated below:

Consulting Service— is provided by our consulting services group which consists of business consultants, systems analysts and technical personnel with extensive retail, manufacturing, and wholesale industry experience. The consulting services group assists our customers in all phases of systems implementation that exceed the limited services we provide under our maintenance arrangements, including systems planning and design, a customer-specific configuration of application modules, and on-site implementation or conversion from existing systems. We also offer a variety of post-implementation consulting services designed to maximize our customers' return on software investment, which include enhanced utilization reviews and business process optimization.

Outsourcing Service— is flexible by design to meet our clients' changing requirements. eFuture's outsourcing services can manage all or parts of our clients' non-core business processes or technology operations, from selective outsourcing to full-scope system and network outsourcing and data center management. eFuture's teams manage and operate the client's internal business processes. Leveraging technology with our industry and process expertise, we provide design, development, implementation, operation, and continuous improvement for both IT and business functions. Our call center, based in Wuhan and also referred to as our help desk department, provides a single point of contact to receive and manage all customers' requests (problem notification, information request, service request) across the entire range of services provided.

myStore

By leveraging eFuture's successful market experience and advanced technology developed for the retail industry, management extended its vision to develop myStore in 2011. myStore is a mobile shopping social network that connects and engages global consumers, aiming to target "SoLoMoMe" shoppers. Social – share shopping experiences, interests and recommendations. Local – shop at nearby stores (locally-based service). Mobile – shop anytime, anywhere. Me – specialized just for me. myStore is relatable but personal, built with the significant addressable market for SoLoMoMe in mind.

myStore is targeted at the digital marketing communication budget of brands and retailers. According to the online advertising data released by iResearch, revenues of China online advertising market amounted to RMB154 billion in 2014, up 40% versus 2013. In 2015 the market is expected to yield more than RMB200 billion.

myStore is designed with the objective of connecting global consumers to offline stores, online stores, social stores and mobile stores to create an omni-shopping platform for global consumers. This strategy is also integrated into a social marketing hub that starts with a brand-driven customer engagement and migrates to a consumer eccentric engagement model. myStore functions under a one-to-one customer engagement paradigm, where the user has its own private stores, and determines the brands, products, shopping lists and their own peers. myStore is also the comprehensive business solution for retailers, providing technology that offers direct access to customers' data on consumption behavior, purchasing pattern/habits and reaction/reception to marketing campaigns, and represents a key competitive advantage for retailers. Retail IT technology provides data analytics that directs marketing strategies, optimizes deployment of resources targeted to consumers' needs, and integrates with the supply chain.

myStore connects retailers to facilitate the aggregation effect of physical stores. The consumer-centric business circle thereby formed covers physical stores within 3 km so that consumers can examine products at a brick-and-mortar store and purchase products anytime, anywhere via mobile devices. In addition, consumers form a social shopping community with their friends and family in myStore and exchange recommendations with each other.

Omni-channel Cloud Services

Omni-channel cloud services include myStore-driven omni-channel solutions and digital social media marketing services. Omni-channel solutions, powered by myStore, are unified solutions including logistics management system designed to increase the performance of their supply chain, along with the construction of an e-commerce and mobile internet application service. We are committed to creating a complete consumer experience by making use of an omni-channel model, and in the process of helping retailers and brands gain significant competitive advantages in today's mobile internet age.

Sales and Marketing

To date, we have provided our products and services to businesses located throughout China via our extensive nationwide network:

Headquartered in Beijing

R&D centers in Beijing, Guangzhou and Wuhan

Regional service centers in Beijing, Shanghai, Guangzhou, Wuhan, Qingdao, Xi'an, Shijiazhuang, Hangzhou, Nanjing, Chengdu and Shenzhen

The year 2014 was a break out year for eFuture. Our new strategy of blending multiple forces to create a true omni-channel model that redefines the consumer experience and hopefully accelerates the inevitable transition to mobile internet was initiated. Driven by myStore, our traditional software business will still serve as the foundation for our entire strategic transition, which follows the trend of transferring from single-channel management to omni-channel management. The operating results of 2014 were significant, the software business returned to growth, while myStore also experienced a large-scale public testing, whereby the number of the registered users reached 1,500,000 at the end of December 31, 2014 and over 2,000,000 as of February 28, 2015. As a solid foundation and resource pool for myStore development, the company obtained steady growth in logistics, grocery and the e-commerce industry in 2014. Software license revenue for 2014 increased 23% year-over-year to RMB83.7 million (US\$13.5 million) from RMB67.9 million in 2013. The increase was primarily due to increased sales in the shopping mall, the e-commerce and the logistics industries. We plan to continue to increase our investment in the software business, and expect to expand market share in the top 100 chain retailers and in the tier three and four cities.

In 2014, myStore-driven omni-channel (including online, offline, mobile and social media channels) solutions began to enter the market, and are receiving positive feedback. Several pilot retail clients have started to deploy eFuture's omni-channel solutions, which provide a seamless approach to consumers through all available shopping channels across online, mobile, social and brick and mortar stores. myStore plans to continue to drive its omni-channel concept to become more widely accepted by the retail market.

As we face a continued increased omni-channel solutions demand from offline retailers, we have accelerated our investment in R&D, focused on providing standardized and easily-deployable omni-channel solutions. We believe the myStore-driven Omni-channel solutions represent a leading unified marketing and retail management total solution connecting traditional offline store, online e-commerce, social media and mobile internet application.

As a result of efficient management and strong customer loyalty, the backlog as of December 31, 2014 increased 17% year-over-year to RMB146.4 million (US\$23.6 million), and Service fee income for 2014 increased 27%

year-over-year to RMB129.8 million (US\$20.9 million) from RMB101.9 million in 2013.

Collaborative Efforts and Recognition

eFuture partners with leading global companies such as IBM and Oracle to co-develop software and implement partners' solutions locally.

As of the date of this annual report, we have entered into the following agreements with large global corporations to generate business opportunities:

In 2007, IBM awarded us its Solution Developer Partnership Award - Asia Pacific Region. We have partnered with IBM to provide customer management systems and integrated retail supply chain software systems throughout China.

In 2007, we entered into a Value Added Systems Integrator ("VASI") Agreement with JDA® Software Group, Inc. (NASDAQ: JDAS) pursuant to which we are working to integrate people, processes and technology to provide local retailers with proven, robust solutions at an affordable price.

In 2007, we entered into an Independent Software Vendor Agreement with Motorola (China) Electronics Ltd., a subsidiary of Motorola, Inc. (NYSE: MOT) pursuant to which we are working to integrate people, processes and technology to provide local retailers with proven, robust mobile solutions at an affordable price.

In 2007, we entered into an Independent Software Vendor Agreement with Samsung Network China, Inc. pursuant to which we are working to integrate people, processes and technology to provide local retailers with proven, robust mobile point of sales solutions at an affordable price.

In 2008, we expanded our collaboration with IBM to launch a SaaS solution for the retail distribution industry in China. By combining IBM's integrated infrastructure and platforms with our expertise and best practices in front-end supply chain total solutions and service, we are confident that this partnership will allow us to offer first-rate solutions and services for upscale retailers in China's consumer goods and retail industry.

In 2009, through our collaboration with IBM, we launched China's first SaaS solution for the retail distribution industry. We successfully completed the deployment of the solution at select Beijing Wangfujing Department Store Group ("Wangfujing Group") stores in Beijing. Wangfujing Group is one of the largest retail groups in Beijing.

In 2009, we entered into a strategic relationship with JDA Software focused on collaborative growth. We believe this alliance will fuel delivery of our combined solution, which is designed to help retail and consumer goods companies in China optimize their operations and improve profitability.

As of the date of this annual report, we have been granted the following awards:

In 2010, IBM awarded us with the title of Excellent Application Solution Provider in Asia Pacific Region.

At the IBM 2011 China Partner Conference, we received the "IBM 2010 Market Leadership Achievement" award.

In 2011, integrated IT service provider Digital China named eFuture "Best Solution Partner in the Distribution Industry".

In 2011, we were also recognized as "Best logistics service provider in the business services sector" at an event convened by the Chinese General Chamber of Commerce and the China Business Herald.

In 2012, we received "Best Corporation" award from CCFA.

In 2012, China Computer Industry Association awarded us with the title of Gold Software Model Enterprise in Retail Industry.

In 2013, China Electronic Information Industry Development Institute awarded us with the title of Gold software and one of the most influential enterprises in China's retail industry.

In 2014, we were recognized as one of "Top Ten Wise Logistics Solution Providers" and "Top Ten Mobile Network Solution Providers" at VAR500 held by Business Partner Consulting Institute.

In 2014, Business Informatization Special Committee, China Electronics Chamber of Commerce awarded us with the title of "Outstanding Enterprise of The Year".

In 2014, Chinese Business Innovative Awards Committee of The Year 2014 recognized us as one of "Top Ten Chinese Business Innovation Services Providers".

In 2014, we received the award of "Best Solution In Software and Information Services Retail Industry" from China Electronic Information Industry Development Institute, Chinese Software Testing Center and Software and Information Services Magazine.

In 2014, Chinese Business Herald and Business China awarded us with the title of one of "Top Ten Innovative Services Providers".

In 2014, we were recognized as "The Most Popular Logistics Informatization Product With Nationwide Advanced Logistics Enterprises" by China's Logistics Network Technology and Equipment Special Committee, China Communications and Transportation Association.

Competitive Landscape

Since the competitive landscape differs depending on the customer, eFuture divides its customer base into three tiers.

Tier 1 - multinational corporations in the retail and FMCG markets with operations in China. eFuture's biggest advantage within this tier is its "global" reach, meaning global, yet localized. Its competitors in this tier include those that are larger and possibly international, but that are less experienced in the Chinese market and often address multiple market segments. By contrast, eFuture focuses strictly on the retail and consumer goods sector. Our strategy is to provide global solutions with local service by collaborating with larger technology companies such as IBM and Oracle.

Tier 2 - the top 100 retailers and leading regional retailers in China. Here, eFuture enjoys strong brand recognition and is competing with global and local competitors. Over 45% of China's top 100 retailers are eFuture customers. Our global best practice offering features competitive pricing, more flexible and localized solutions, which gives eFuture a competitive advantage when addressing Tier 2 customers.

Tier 3 - all retail and FMCG companies outside the Tier 2 market. In this space, eFuture is competing with approximately 150+ companies that deliver solutions to small and medium-sized businesses located throughout China. Since 2009, eFuture started to conduct marketing activities in this space, which helped to increase market share.

We encounter competitive products from a variety of vendors. We believe that while our markets are still subject to intense competition, the number of significant competitors for business in China is relatively limited. We believe our principal competitive advantages are:

A leading position in China's retail and consumer goods software and services market
Strategic partnerships with international and China leading retailers
Vision and development capacity in mobile commerce

Research & Development

In the fiscal year 2014, our research & development efforts focused on the following areas:

MyStore

eFuture upgraded the back-end system of myStore, including e-commerce, marketing and membership card support. Physical stores can import data on brands, categories, merchandise and inventories with one click, update data in batches and thereby manage inventories, accounts, orders and returns via myStore.

For consumers, they are allowed to pay through various methods and are provided with home delivery services and in-store pick-up services when shopping via myStore.

Omni-channel Platform

Omni-channel platform is a cloud service platform for retail and brands, providing data access services for various omni-channel applications and especially focusing on omni-channel data sharing. Therefore, the information gap among different channels will no longer exist and merchants are provided with consistent data on consumers, merchandise, inventories and orders for all channels. Merchants can also expand new channel applications based on omni-channel platform, which saves the trouble of switching channels for them.

Compared with traditional ERP system, omni-channel platform is established by adopting new mobile internet technologies like SaaS, NoSQL, OpenAPI and big data so that the omni-channel platform can integrate online and offline key data for the unified collection and management; thereby providing consistent and quick access service and a search service for retailers and brands.

The omni-channel platform also supports seamless docking with both mainstream internet platforms, which include taobao TOP platform, JD open platform, wechat platform and eFuture myStore platform, and various offline ERP platform including eFutureMyshop, eFuture POS-ERP, Retail Pro, SAP and so forth.

In 2015, we plan to focus on two areas that facilitate the integration of physical stores and accelerate their O2M transformation on R&D.

We also plan to focus on providing retailers with specialized marketing and transformation management through big data analysis and multi-channel service.

Our aim is to optimize the function of omni-channel to integrate retailers and brands with the ultimate target of providing better consumer experiences.

Intellectual Property

Our success and competitive position depend in part upon our ability to develop and maintain the proprietary aspect of our technology. The reverse engineering, unauthorized copying, or other misappropriation of our technology could enable third parties to benefit from our technology without us being compensated. We rely on a combination of trademarks, trade secrets, copyright law and contractual restrictions to protect the proprietary aspects of our technology. We seek to protect the source code to our software, documentation and other written materials under trade secret and copyright laws. While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. This is particularly the case in China where the laws may not protect our proprietary rights as fully as in the United States.

We license our software products under signed license agreements that impose restrictions on the licensee's ability to utilize the software and do not permit the re-sale, sublicense or other transfer of the software. Finally, we seek to avoid disclosure of our intellectual property by requiring employees and independent consultants to execute confidentiality agreements with us and by restricting access to our source code.

Although we develop our own software products, each is based upon middleware developed by third parties, including IBM and Oracle. We integrate this technology, licensed by our customers from third parties in our software products. If our customers are unable to continue to license any of this third party software, or if the third party licensors do not adequately maintain or update their products, we would face delays in the release of our software until equivalent technology interfaces can be identified, licensed or developed, and integrated into our software products. These

delays, if they occur, could harm our business, operating results and financial condition.

There has been a substantial amount of litigation in the software and internet industries regarding intellectual property rights. It is possible that in the future third parties may claim that our current or potential future software solutions infringe their intellectual property. We expect that software product developers and providers of e-commerce products will increasingly be subject to infringement claims as the number of products and competitors in our industry segment grows and the functionality of products in different industry segments overlaps. In addition, we may find it necessary to initiate claims or litigation against third parties for infringement of our proprietary rights or to protect our trade secrets. Although we may disclaim certain intellectual property representations to our customers, these disclaimers may not be sufficient to fully protect us against such claims. We may be more vulnerable to patent claims since we do not have any issued patents that we can assert defensively against a patent infringement claim. Any claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or license agreements. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all, which could have a material adverse effect on our business, operating results and financial condition.

Our standard software license agreements contain an infringement indemnity clause under which we agree to indemnify and hold harmless our customers and business partners against liability and damages arising from claims of various copyright or other intellectual property infringement by our products. We have never lost an infringement claim and our costs to defend such lawsuits have been insignificant. Although it is possible that in the future third parties may claim that our current or potential future software solutions infringe on their intellectual property, we are not currently aware of any claims to have a significant impact on our business, operating results, or financial condition.

Regulations

Regulation of Software Products

On March 1, 2009, the Ministry of Information Industry issued the Administrative Measures on Software Products (the “Software Measures”) to strengthen the regulation of software products and to encourage the development of the Chinese software industry. The Software Measures provide a registration and filing system with respect to software products made in or imported into China. The software products may be registered with the Ministry of Information Industry’s provincial branch, which may entitle a company to enjoy the relevant encouragement policies in the Industrial Policies. Software products can be registered for five years, and the registration is renewable upon expiration.

Regulation of Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including trademarks and copyrights, and in 1998, China established the State Intellectual Property Office (“SIPO”) to coordinate China’s intellectual property enforcement efforts. SIPO is responsible for granting and enforcing patents, as well as coordinating intellectual property rights related to copyrights and trademarks. Protection of intellectual property in China follows a two-track system. The first track is administrative in nature, whereby a holder of intellectual property rights files a complaint at a local administrative office. Determining which intellectual property agency can be confusing, as jurisdiction of intellectual property matters is diffused throughout a number of government agencies and offices, each of which is typically responsible for the protection afforded by one statute or one specific area of intellectual property-related law. The second track is a judicial track, whereby complaints are filed through the Chinese court system. Since 1993, China has maintained various intellectual property tribunals. The total volume of intellectual property related litigation, however, remains small.

Copyright— China adopted its first copyright law in 1990. The National People’s Congress amended the Copyright Law in 2001 and 2010 to widen the scope of works and rights that are eligible for copyright protection. The amended

Copyright Law extends copyright protection to software products, among others. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. Unlike patent and trademark registration, copyrighted works do not require registration for protection. Protection is granted to individuals from countries belonging to the international copyright conventions or bilateral agreements of which China is a member.

Trademark— The Chinese Trademark Law, adopted in 1982 and revised in 1993, 2001 and 2013, protects registered trademarks. The Trademark Office under the Chinese State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. China has a “first-to-register” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark must not prejudice the existing rights of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a “sufficient degree of reputation” through that person’s use. We have registered a number of our product names with the Trademark Office.

China is a signatory to the main international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the WTO in December 2001.

Although there are differences in intellectual property rights between the United States and China, the most significant difference to our Company is the inexperience of China in connection with the development and protection of intellectual property rights. Similar to the United States, China has chosen to protect software under copyright law rather than trade secret, patent or contract law. As such, we will attempt to protect our most significant asset (software) pursuant to Chinese laws. Unlike the United States, which has lengthy case law related to the interpretation and applicability of intellectual property law, China is currently in the process of developing such interpretations.

Regulation of Value-added Telecommunications Services

The Telecommunications Regulations of the People’s Republic of China (“Telecom Regulations”), implemented on September 25, 2000, are the primary PRC law governing telecommunication services, and set out the general framework for the provision of telecommunication services by domestic PRC companies. The Telecom Regulations require that telecommunications service providers procure operating licenses prior to commencing operations. The Telecom Regulations draw a distinction between “basic telecommunications services,” which we generally do not provide, and “value-added telecommunications services.” The Telecom Regulations define value-added telecommunications services as telecommunications and information services provided through public networks. The Catalogue of Telecommunications Business (“Catalogue”), which was issued as an attachment to the Telecom Regulations and updated in February 2003, identifies online data and transaction processing, on-demand voice and image communications, domestic Internet virtual private networks, Internet data centers, message storage and forwarding (including voice mailbox, e-mail and online fax services), call centers, Internet access, and online information and data search as value-added telecommunications services. We engage in various types of business activities that are value-added telecommunications services as defined and described by the Telecom Regulations and the Catalogue.

On March 1, 2009, the MIIT issued Measures on the Administration of Telecommunications Business Operating Permits (“Telecom License Measures”) to supplement the Telecom Regulations and replace the previous Administrative Measures for Telecommunications Business Operating Licenses (“2001 Telecom Operating Measures”). The Telecom License Measures confirm that there are two types of telecom operating licenses for operators in China, one for basic telecommunications services and one for value-added telecommunications services. A distinction is also made as to whether a license is granted for “intra-provincial” or “trans-regional” (inter-provincial) activities. An appendix to each license granted will detail the permitted activities of the enterprise to which it was granted. An approved telecommunication services operator must conduct its business (whether basic or value-added) in accordance with the specifications recorded in its Telecommunications Services Operating License.

On May 24, 2011, the MIIT issued to Weidian a license for the provision of Internet content services (“ICP license”), which is considered to be a type of value-added telecommunications business. The ICP license is subject to annual inspections.

Regulation of Foreign Direct Investment in Value-Added Telecommunications Companies

Various PRC regulations currently restrict foreign-invested entities from engaging in value-added telecommunication services, including providing Internet information services. Foreign direct investment in telecommunications companies in China is regulated by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (“FITE Regulations”), which were issued by the PRC State Council on December 11, 2001 and amended on September 10, 2008. The FITE Regulations stipulate that foreign invested telecommunications enterprises in the PRC (“FITEs”), must be established as Sino-foreign equity joint ventures. Under the FITE Regulations and in accordance with WTO-related agreements, the foreign party to a FITE engaging in value-added telecommunications services may hold up to 50% of the equity of the FITE, with no geographic restrictions on its operations. The PRC government has not made any further commitment to liberalize its regulation of FITEs.

For a FITE to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating a track record and experience in operating a value-added telecommunications business overseas. FITEs that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals.

On July 13, 2006, the MIIT issued Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (“MIIT Notice”), which reiterates certain provisions of the FITE Regulations. Under the MIIT Notice, if a FITE intends to invest in a PRC value-added telecommunications business, the FITE must be established and must apply for a telecommunications business license applicable to the business. Under the MIIT Notice, a domestic company that holds a ICP license, is considered to be a type of value-added telecommunications business in China, and is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of Internet content services must be owned by the ICP license holder. The MIIT Notice requires each ICP license holder to have appropriate facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with standards set forth in relevant PRC regulations. Our VIE, Weidian, rather than our subsidiaries, holds ICP licenses.

Corporate Laws and Industry Catalogue Relating to Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994, as amended in 1999, 2004 and 2005, respectively. The Company Law is applicable to our PRC subsidiaries and affiliated PRC entities unless the PRC laws on foreign investment have stipulated otherwise.

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises, such as our PRC subsidiary, eFuture Beijing, is regulated by the Wholly Foreign-owned Enterprise Law of the PRC effective in 1986, as amended in 2000, and the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC effective in 1990, as amended in 2001 and 2014.

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Establishment of wholly foreign-owned enterprises is generally permitted in encouraged industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. For example, sales and distribution of audio and video products are among the restricted categories and only contractual joint ventures in which Chinese partners holding majority interests can engage in the distribution of audio and video products in China. In addition, restricted category projects are also subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. We are in compliance with the foreign investment regulations through contractual arrangement with our VIE. For the risk related to these contractual arrangement, please refer to the relevant risk factors under “Item 3 - Key Information-Risk Factors”.

Regulations Relating to Online Transactions

In May 2010, the State Administration for Industry and Commerce issued the Interim Measures for the Trading of Commodities and Services through the Internet effective in July 2010, which requires internet service providers that operate internet trading platforms to register and verify online shop owners' identities along with their business credentials, establish mechanisms to ensure safe online transactions, protect online shoppers' rights, and prevent the sale of counterfeit goods. We are subject to this rule as a result of our operation of the myStore Application. We believe we are currently in compliance with the Online Transaction Regulations.

Regulations Relating to Privacy Protection

As an internet content provider, we are subject to regulations relating to protection of privacy. Under the Internet Measures, internet content providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet content providers that violate the prohibition may face criminal charges or administrative sanctions by PRC security authorities. In addition, relevant authorities may suspend their services, revoke their licenses or temporarily suspend or close down their websites. Furthermore, under the Administration of Internet Bulletin Board Services issued by the Ministry of Information Industry in November 2000, internet content providers that provide electronic bulletin board services must keep users' personal information confidential and are prohibited from disclosing such personal information to any third party without the consent of the users, unless otherwise required by law. The regulation further authorizes relevant telecommunication authorities to order internet content providers to rectify any unauthorized disclosure. Internet content providers could be subject to legal liabilities if unauthorized disclosure causes damages or losses to internet users. However, the PRC government retains the power and authority to order internet content providers to provide the personal information of internet users if the users post any prohibited content or engage in illegal activities through the internet. We believe that we are currently in compliance with these regulations in all material aspects.

Seasonality

Like many other Chinese companies operating in China, our businesses tends to be slower in the quarter that includes the month of March and tends to be stronger in the quarter that includes December due to the Chinese New Year and the budgeting practice that is on calendar basis adopted by government agencies and most Chinese private enterprises.

C. Organizational structure

The following is a list of our subsidiaries and consolidated affiliated entities established, all of which were organized in China:

Name	Date entity joined the Company	Relationship
eFuture (Beijing) Royalstone Information Technology Inc.	November 2000	Wholly-owned subsidiary
eFuture (Hainan) Royalstone Information Technology Inc.	December 2012	Wholly-owned subsidiary
Beijing Weidian Internet Service Co. Ltd.	January 2011	Consolidated affiliated entity

Our principal executive offices and headquarters in Beijing will be moved to Room A1103, A1105, A1106-07, Building A, Chengjian Plaza, No.18, Beitaipingzhuang Road, Haidian District, Beijing, 100088, China. Our telephone number is +86 10 5293 7699, and our fax number is +86 10 51650988.

D. Property, Plant and Equipment

Facilities

We currently operate eleven facilities throughout China. Our headquarters are located in Beijing. Our research and development operations are generally located in Guangzhou and Wuhan. We also maintain customer support and programming operations in Shanghai, Guangzhou and Wuhan.

Office	Address	Rental Term	Space
Beijing	8/F Topnew Tower 15 Guanghua Road Chaoyang District, Beijing, PRC	Expires April 25, 2015	1,496.77 sq. meters
Beijing	Room A1103, A1105, A1106-07, Building A, Chengjian Plaza No. 18, Beitaipingzhuang Road Haidian District, Beijing, PRC	Effective from April 17, 2015 and expires on July 24, 2017	629.43 sq. meters
Beijing	C Cube Youth Cultural and Creative Park 1 Fangjiacun Chaoyang District, Beijing, PRC	Effective from March 23, 2015 and expires on March 22, 2020	1,540 sq. meters
Shanghai	Floor 19E, F, G, H Shentong Information Plaza 55 West Huaihai Road Xu Hui District, Shanghai, PRC	Expires March 19, 2017	602.14 sq. meters
Nanjing	Room 2410, No. 3 Building Jiaye International City 158 Lushan Road, Jianye District Nanjing, Jiangsu Province, PRC	Expires December 31, 2016	327.57 sq. meters
Shijiazhuang	R2108, Floor 21 Changan Plaza 289 East Road of Zhongshan Street Shijiazhuang, Hebei Province, PRC	Expires December 31, 2016	647.68 sq. meters
Guangzhou	Room 01, Floor 3, Block A West 89 Zhongshan Street Guangzhou, Guangdong Province, PRC	Expires May 31, 2017	1,011 sq. meters
Wuhan	Floor 36 and 40 No. 7 Zhongnan Road, Wuchang District Wuhan, Hubei Province, PRC	Expires May 19, 2015	2293.73 sq. meters

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Qingdao	Floor 6, Block B, Haomai Building Wuhan University Science Park Wuhan, Hubei Province, PRC	Expires February 4, 2017	1135.21 sq. meters
	Room 1201, E-Commerce Industrial Park 19 Keyuan Weisan Road, Qingdao, Shandong Province, PRC	Expires March 31, 2020	130 sq. meters
Xi'an	Floor 12, Unit 1, Yulang International Building 183 Donger Road, Xi'an, Shanxi Province, PRC	Expires April 5, 2016	139.12 sq. meters
Hangzhou	Floor 20 Zhongdu Department Store Plaza, 87 Qingchun Road Xiacheng District, Hangzhou, Zhejiang Province, PRC	Expires March 24, 2017	170 sq. meters

Shenzhen	Room 1101-01, Floor 11 Yicui Building, 1058Cuizhu Road Luohu District Shenzhen, Guangdong Province, PRC	Expires July 31, 2017	340.27 sq. meters
Chengdu	Room 4, Floor 4, Unit 4, Building 1 Tianyi Garden, 99 Erhuan Road West 1st Section Qingyang District Chengdu, Sichuan Province, PRC	Expires May 17, 2015	119.93 sq. meters

We do not have any material plans, agreements or obligations to construct, expand or improve any facilities.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with our audited historical consolidated financial statements, together with the respective notes thereto, included elsewhere in this report. Our audited historical consolidated financial statements have been prepared in accordance with US GAAP. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See “Introduction — Forward-Looking Statements.” In evaluating our business, you should carefully consider the information provided under Item 3.D, “Risk Factors.” We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

eFuture is a leading provider of software and services to China's rapidly growing retail and consumer goods industries. eFuture offers one-stop, end-to-end integrated portfolio of software and services from factory to consumer on seven verticals: Fast Moving Consumer Goods (FMCG), Department Store, Shopping Mall, Grocery, Logistics, Specialty Store and Online Retailers. In light of the Company's strong brand recognition and long-term relationships among local and international clients, along with key strategic partnerships with leading global technology companies, eFuture is seeking to remain at the forefront of industry trends and perpetuate its leading role in China's growing retail and consumer markets.

Summary of 2014 Operations

The year 2014 was a break out year for eFuture. Our new strategy of blending multiple forces to create a true omni-channel model that redefines the consumer experience and hopefully accelerates the inevitable transition to mobile internet was initiated. Driven by myStore, our traditional software business will still serve as the foundation for our entire strategic transition, which follows the trend of transferring from single-channel management to omni-channel management. The operating results of 2014 were significant, the software business returned to growth, while myStore also experienced a large-scale public testing, whereby the number of the registered users reached 1,500,000 at the end of December 31, 2014 and over 2,000,000 as of February 28, 2015. As a solid foundation and resource pool for myStore development, the company obtained steady growth in logistics, grocery and the e-commerce industry in 2014. Software license revenue for 2014 increased 23% year-over-year to RMB83.7 million (US\$13.5 million) from RMB67.9 million in 2013. The increase was primarily due to increased sales in the shopping

mall, the e-commerce and the logistics industries. We plan to continue to increase our investment in the software business, and expect to expand market share in the top 100 chain retailers and in the tier three and four cities.

In 2014, myStore-driven omni-channel (including online, offline, mobile and social media channels) solutions began to enter the market, and are receiving positive feedback. Several pilot retail clients have started to deploy eFuture's omni-channel solutions, which provide a seamless approach to consumers through all available shopping channels across online, mobile, social and brick and mortar stores. myStore plans to continue to drive its omni-channel concept to become more widely accepted by the retail market.

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As we face a continued increased omni-channel solutions demand from offline retailers, we have accelerated our investment in R&D, focused on providing standardized and easily-deployable omni-channel solutions. We believe the myStore-driven Omni-channel solutions represent a leading unified marketing and retail management total solution connecting traditional offline store, online e-commerce, social media and mobile internet application.

As a result of efficient management and strong customer loyalty, the backlog as of December 31, 2014 increased 17% year-over-year to RMB146.4 million (US\$23.6 million), and Service fee income for 2014 increased 27% year-over-year to RMB129.8 million (US\$20.9 million) from RMB101.9 million in 2013.

Results of Operations

The following table presents the results of our operations for the years indicated. Our historical reporting results are not necessarily indicative of the results to be expected for any future period.

	Chinese Yuan (Renminbi)			U.S. Dollars
	For the Years Ended December 31,			For the
	2012	2013	2014	Year Ended December 31, 2014
Revenues				
Software revenue	¥79,535,451	¥67,872,447	¥83,693,264	\$13,488,906
Hardware revenue	28,460,810	28,155,097	5,948,379	958,705
Service fee revenue	90,358,608	101,905,255	129,812,064	20,921,906
Total revenues	198,354,869	197,932,799	219,453,707	35,369,517
Cost of revenues				
Cost of software revenue	(26,651,708)	(11,989,808)	(19,599,743)	(3,158,905)
Cost of hardware revenue	(23,862,880)	(23,188,160)	(6,032,868)	(972,322)
Cost of service fee revenue	(62,409,787)	(79,532,929)	(96,712,746)	(15,587,265)
Amortization of acquired customer relationships and softwares	(4,157,333)	(286,000)	-	-
Amortization of software costs	(2,767,041)	(3,367,180)	(3,765,833)	(606,942)
Total cost of revenues	(119,848,749)	(118,364,077)	(126,111,190)	(20,325,434)
Gross profit	78,506,120	79,568,722	93,342,517	15,044,083
Operating expenses				
Research and development expenses	(3,737,959)	(7,247,250)	(8,017,819)	(1,292,238)
General and administrative expenses	(32,799,689)	(33,794,971)	(27,369,028)	(4,411,087)
Selling and distribution expenses	(40,448,601)	(46,366,677)	(47,339,529)	(7,629,747)
Total operating expenses	(76,986,249)	(87,408,898)	(82,726,376)	(13,333,072)
Income (Loss) from operations	1,519,871	(7,840,176)	10,616,141	1,711,011
Other income (expenses)				
Interest income	497,457	332,299	564,750	91,021
Interest expenses	-	-	(164,171)	(26,460)
Gains on derivative liabilities	3,168	-	-	-

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Other income (expenses)	(2,027,354)	449,787	587,836	94,742
Foreign currency exchange gain (loss)	(5,328)	(106,124)	7,649	1,233
Income (Loss) before income tax	(12,186)	(7,164,214)	11,612,205	1,871,547
Less: Income tax expenses	4,497,430	287,296	4,225,049	680,954
Net income (loss)	¥(4,509,616)	¥(7,451,510)	¥7,387,156	1,190,593
Earnings (Loss) per ordinary share				
Basic	¥(1.07)	¥(1.76)	¥1.77	\$0.29
Diluted	¥(1.07)	¥(1.76)	¥1.71	\$0.28
Basic weighted average shares outstanding	4,213,318	4,224,676	4,173,014	4,173,014
Fully diluted weighted average shares outstanding	4,213,318	4,224,676	4,308,516	4,308,516

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The following table sets forth certain selected financial information expressed as a percentage of total revenues for the periods indicated and cost of revenues and product development expenses expressed as a percentage of the related revenues. In addition, the table sets forth a comparison of selected financial information, expressed as a percentage change in 2012, 2013 and 2014.

	RMB									
	Percentage of FY 2012 Revenues		Percentage of FY 2013 Revenues		Percentage of FY 2014 Revenues		Change FY 2012 v FY 2013	% Change	Change FY 2013 v FY 2014	% Change
Revenues										
Software sales	79,535,451	40.1%	67,872,447	34.3%	83,693,264	38.1%	(11,663,004)	-14.7%	15,820,817	23.3%