

Proposal to Liquidate the Company

This blog post was translated by ChatGPT-4o.

Since its founding in July 2016, the company has been in operation for over three years. Here is a report to the shareholders on the current situation.

You are familiar with the business operations over the past two years. This year, we have wrapped up some software outsourcing projects from the end of last year and the beginning of this year. Looking ahead, we are attempting a transformation and development. We have also started intermediary services, introducing outsourcing business for friends' companies. Additionally, a considerable amount of time has been spent on reflection, summarizing the past, and planning for the future to identify any business opportunities with long-term growth potential.

During this transition period, our performance has declined. The revenue for this year is approximately 300,000 yuan, with a gross profit of about 100,000 yuan, resulting in minimal net profit. The total assets in the company account are 390,000 yuan. In 2018, our revenue was about 2.5 million yuan, with a gross profit of about 600,000 yuan and a net profit of about 400,000 yuan, ending the year with total assets of approximately 400,000 yuan.

The concepts of revenue, gross profit, and net profit here are somewhat different. Revenue refers to the total turnover income. Gross profit deducts the wages or expenses of all full-time employees, part-time employees, and downstream third-party partner companies, except the founder. Net profit, on the other hand, deducts the founder's salary, office rent, cloud computing services, business address lease, and outsourced accounting fees from the gross profit. The founder bears the main responsibility for the company, with many expenses paid out of pocket, without reimbursement from the company. To avoid taxes, we try to reimburse as many personal invoices as possible to the company. We use many part-time employees for outsourcing business, and their wages are reimbursed through the founder's invoices to the company, which are then privately transferred to the part-time employees. Sometimes, when invoices are insufficient, the founder's salary is increased, using the personal income tax channel to avoid taxes.

I read in Mr. Li Xiaolai's book "Investment Changes Fate" that running a blockchain fund takes five years of hard work, often with life-and-death struggles, only to find that the performance is still lagging behind Bitcoin. This feeling resonates with my experience of running a company for three years.

I have been working since July 2014, over five years now. The five years of struggling in Beijing is a low-profile version of a struggle story. In 2015, as an engineer, my take-home pay was about 150,000 yuan, with 80,000 yuan in savings. In 2016, after co-founding a business with friends for six months, and then starting my own business for another six months, my income was about 70,000 yuan, expenses around 180,000 yuan,

resulting in a loss of 110,000 yuan, with savings of less than 10,000 yuan. In 2017, the company raised 550,000 yuan in financing, repaid 70,000 yuan of parental debt, with an income of 100,000 yuan, expenses around 500,000 yuan, ending the year with company assets of about 50,000 yuan. In 2018, after a year of hard work, it resulted in the aforementioned figures.

This has led me to reflect often: Am I not working hard enough? What exactly is the reason? Why have I struggled for five years and still have nothing to show for it? Over the past five years, I have actually lost some money, barely managing to support myself. Is it my problem or is it the world's problem? Why, despite getting into a 211 university and being proactive, do I struggle to survive in society?

While I have reflected a lot on my personal issues, let's discuss societal issues. A significant portion of urban consumption is contributed to real estate. In high housing price areas, various consumptions are also high. A part of personal daily expenses goes to rent, another part to dining, local services, transportation, etc., which also includes rent costs. Everyone needs a place to live, either owning or renting, so to survive, they need higher incomes and must raise the prices of the goods and services they create. Hence, consumption is very high in Beijing.

Indeed, rent alone takes up more than 30% of my expenses annually. When you start a business and rent an office, a nine-person office costs 13,000 yuan per month. If I think it's troublesome for employees to order food individually and want to treat them better, nine people eating together can cost over 10,000 yuan a month in takeout. High housing prices lead to high consumption costs, meaning a large portion of your expenses goes to the government and landlords. Rent and the high cost of living induced by rent account for over 50% of monthly income.

Additionally, in modern life, we heavily rely on others, evolving to the point of ordering takeout and various on-site services. These products and services go through multiple markups, making them expensive by the time they reach you. You're not just paying for the labor of a box of food but also Meituan's marketing expenses, software employee costs, and delivery fees. During busy times, I often ordered takeout, costing 35 yuan per meal, 70 yuan a day, and 2100 yuan a month. This year, with more free time, I cook for myself, spending 200 yuan per week on groceries, totaling about 900 yuan a month. Once you're used to ordering takeout, you often eat out as well, increasing monthly dining expenses to 3000 yuan. Capitalism, with its extreme division of labor and cooperation, increases efficiency in mass production but sometimes raises costs because each layer needs to survive and mark up prices. Meituan gradually increases merchant commission rates as it seeks profitability. In the U.S., at a more advanced stage of capitalism, labor is very expensive, and many Americans do things themselves, from fixing toilets to repairing cars.

I also noticed modern society separates earning money from spending it, preventing people from seeing the labor behind their spending directly. For instance, a 60 yuan movie ticket seems enjoyable, but it means you need to cook six fast-food meals for others to afford it. The more you spend, the more you need to work. If I

had to cook six fast-food meals for others for one or two hours to watch a movie, I wouldn't watch it. But spending money feels good, and I don't think about these things while spending. This leads city dwellers to spend more extravagantly. Having money is enjoyable, as many desires can be instantly satisfied.

When I worked a 9-to-5 job, I couldn't see the future. I saw working for twenty to thirty years and then buying a house in the city. So, I ventured into entrepreneurship. But after starting a business, life became busier and harder. I realized that the internet industry enjoys significant dividends, with a lot of hot money flowing in, allowing many companies to raise funds and pay high salaries to employees. But these companies can't escape the invisible hand of the market. Their landlords, employees, advertising service providers, and ordinary users don't care if they are internet companies, offering no discounts or favors because everyone needs to survive. So, each role demands as much as possible, and soon the companies run out of money, and their IPOs plummet.

The nature of internet platforms allows only big players to succeed, unlike the restaurant industry with many small businesses. Small and medium-sized internet companies struggle.

I have come to understand the tricks of successful entrepreneurs in running a company. A successful company meticulously calculates to maximize income and minimize costs, keeping accounts clear. It operates like a market and treats users mercilessly to achieve optimal benefits. Therefore, a successful entrepreneur is stringent with employees and surroundings, selecting the most reliable and hardworking people to ensure the company at least breaks even and ultimately makes a profit. The internet industry has its unique approach: first, building connections to secure financing, then developing the product and user base to continue the story, ultimately cashing in through an IPO. However, this series of risks and uncertainties lead most people to collapse in the end.

Every year, renting an office costs 6000 yuan, outsourced accounting services 3700 yuan, and personal income tax and value-added tax are significant amounts. In a recent article by self-media blogger Lian Yue, many commenters mentioned heavy taxes. Indeed, despite my efforts to legally avoid taxes, I still paid a lot.

I used to think about becoming a successful entrepreneur, building a big and strong company. But I found that even the best struggle. Typically, one has to work hard until 50 to feel relatively secure. The most successful internet entrepreneurs take their companies public around 40 but still need 5-10 years of effort to achieve stable profitability. The stock market is even more ruthless; poor financial reports lead to continuous stock price drops. Founders' share transactions are under public scrutiny, and if they cash out when the company performs poorly, the company suffers greatly.

Why has life become increasingly difficult despite schooling, work, and entrepreneurship? With so many smart people and advanced technology, everyone still needs to work hard all their lives, making life harder instead of easier.

I think people with more than two houses, assets, high-ranking government officials, demolition beneficiaries,

and seasoned players in the financial industry find life relatively easier.

So, what's the solution? Housing is a significant issue. I plan to return to Guangzhou, where my parents are. In 2010, they bought a relatively cheap house, which they currently rent out. Next year, they might stop renting it. During my high school entrance exam, I chose to stay at my school for high school and received a 20,000 yuan reward, which I gave to my parents to buy furniture for this house. I plan to live there if they don't, which isn't exactly living off them.

Secondly, I'll strive for a self-sufficient lifestyle, creating what I need through labor. There's a yard behind my parents' workplace where my mother grows some vegetables. I plan to learn from her to reduce societal dependence.

This way, I'll see how much I need annually and how much I rely on others. I realize this lifestyle might be tough, but all the hard work is for myself, not for others or forced labor. Unlike entrepreneurship and work, which serve others, self-sufficiency is more fulfilling, like cooking, making soybean milk, squeezing juice, brewing tea, and making snacks for oneself. It means no middlemen and often the most efficient way to meet needs. I'll use my remaining time to learn, read, and think.

Therefore, shareholders, Mr. Li Xiaolai and Mr. Ye Fei, I propose to liquidate the company. This is just a suggestion, and I welcome your opinions.

I have thought of two options:

1. From the 550,000 yuan financing, repay 50% now, and the remaining 50% within five years. The current company assets are 390,000 yuan, so 275,000 yuan will be given to shareholders Li Xiaolai and Ye Fei, with 115,000 yuan left for Li Zhiwei. Li Zhiwei should repay 275,000 yuan to the shareholders within five years.
2. From the 550,000 yuan financing, repay 50% now, and the remaining 50% need not be repaid. The remaining 115,000 yuan will be considered Li Zhiwei's earnings from the years of hard work.

I know earning money is not easy, and the more one experiences society, the more one appreciates the difficulty faced by parents. So, I am grateful to everyone who supported me. It's regrettable that despite my bold claims to earn significant returns for shareholders, I currently lack the ability to do so.

Sincerely,

Li Zhiwei