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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 333-232839

BIOESSENCE®

BIO ESSENCE CORP.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

California
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

94-3349551
(IRS EMPLOYEE IDENTIFICATION NO.)

8 Studebaker Drive in Irvine, California 92618
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(949) 706-9966
(ISSUER TELEPHONE NUMBER)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐
Accelerated filer ☐
Smaller reporting company ☒
Emerging Growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
N/A	N/A	N/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the latest practicable date, the Company has 33,009,000 shares of its common stock issued and outstanding.

TABLE OF CONTENTS

		PAGE
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Balance Sheets as of March 31, 2023 (Unaudited) and December 31, 2022	1
	Statements of Operations for three months ended March 31, 2023 and 2022 (Unaudited)	2
	Statements of Changes in Stockholders' Equity for three months ended March 31, 2023 and 2022 (Unaudited)	3
	Statements of Cash Flows for three months ended March 31, 2023 and 2022 (Unaudited)	4
	Notes to Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item 4.	Controls and Procedures	20
PART II		22
Item 1.	Legal Proceedings	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	Mine Safety Disclosures	22
Item 5.	Other Information	22
Item 6.	Exhibits	22
	Signatures	23

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	**AS OF MARCH 31, 2023 (UNAUDITED)**	**AS OF DECEMBER 31, 2022**
CURRENT ASSETS		
Cash and equivalents	$ 127	$ 6,262
Accounts receivable, net	10,700	5,599
Prepaid expenses	8,630	8,820
Advance to suppliers	61,573	1,987
Inventory, net (Note 3)	172,745	181,163
Total current assets	253,775	203,831
NONCURRENT ASSETS		
Security deposit (Note 4)	41,841	41,841
Right-of-use assets, net	1,015,457	1,054,872
Property and equipment, net (Note 5)	230,036	246,379
Intangible assets, net (Note 6)	744	802
Total non-current assets	1,288,078	1,343,894
TOTAL ASSETS	**$ 1,541,853**	**$ 1,547,725**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	$ 70,860	$ 53,651
Accounts payable	58,334	49,776
Taxes payable (Note 7)	12,899	8,392
Accrued liabilities and other payables (Note 8)	67,118	91,645
Accrued interest on government loans	16,805	16,867
Operating lease liabilities (Note 12)	160,176	156,560
Finance lease liabilities (Note 12)	12,761	12,603
Loan payables (Note 13)	12,311	11,954
Government loans payable - current portion (Note 9)	4,639	4,596
Loan from shareholder (Note 10)	3,367,397	3,151,786
Total current liabilities	3,783,300	3,557,830
NONCURRENT LIABILITIES		
Operating lease liabilities (Note 12)	908,040	952,756
Finance lease liabilities (Note 12)	36,335	39,687
Loan payables (Note 13)	22,236	25,561
Government loans payable (Note 9)	209,193	210,306
Total non-current liabilities	1,175,804	1,228,310
TOTAL LIABILITIES	**4,959,104**	**4,786,140**
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock $0.0001 par value; authorized shares 10,000,000	-	-
Common stock $0.0001 par value; authorized shares 100,000,000; issued and outstanding shares 33,009,000 as of March 31, 2023 and December 31, 2022	3,301	3,301
Additional paid in capital	4,926,879	4,926,879
Accumulated deficit	(8,347,431)	(8,168,595)
TOTAL STOCKHOLDERS' DEFICIT	(3,417,251)	(3,238,415)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 1,541,853**	**$ 1,547,725**

The accompanying notes are an integral part of these consolidated financial statements.

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2023	**2022**
Revenues		
Sales of goods	$ 149,760	$ 181,579
Manufacture service revenue	191,569	124,835
Total revenues	341,329	306,414
Cost of revenues		
Cost of goods sold	70,500	145,665
Cost of manufacture service	104,307	90,293
Total cost of revenues	174,807	235,958
Gross profit	166,522	70,456
Operating expenses		
Selling	35,712	10,614
General and administrative	304,994	286,274
Total operating expenses	340,706	296,888
Loss from operations	(174,184)	(226,432)
Other income (expenses)		
Interest expense	(5,824)	(5,160)
Financial expense	(976)	(1,568)
Other income	2,497	535
Other expense	(349)	(495)
Other expenses, net	(4,652)	(6,688)
Loss before income tax	(178,836)	(233,120)
Income tax expense	-	-
Net loss	**$ (178,836)**	**$ (233,120)**
Basic and diluted weighted average shares outstanding	33,009,000	33,009,000
Basic and diluted net loss per share	**$ (0.01)**	**$ (0.01)**

The accompanying notes are an integral part of these consolidated financial statements.

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(UNAUDITED)

	COMMON STOCK - SHARES	COMMON STOCK - AMOUNT	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance at January 1, 2023	33,009,000	$ 3,301	$ 4,926,879	$ (8,168,595)	$ (3,238,415)
Net loss	-	-	-	(178,836)	(178,836)
Balance at March 31, 2023	33,009,000	$ 3,301	$ 4,926,879	$ (8,347,431)	$ (3,417,251)
Balance at January 1, 2022	33,009,000	$ 3,301	$ 4,926,879	$ (7,358,916)	$ (2,428,736)
Net loss	-	-	-	(233,120)	(233,120)
Balance at March 31, 2022	33,009,000	$ 3,301	$ 4,926,879	$ (7,592,036)	$ (2,661,856)

The accompanying notes are an integral part of these consolidated financial statements.

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (178,836)	$ (233,120)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,401	10,874
Operating lease expense	53,110	57,717
Increase (decrease) in assets: Changes in assets / liabilities:		
Accounts receivable	(5,103)	(31,539)
Prepaid expenses	190	(5,536)
Advance to suppliers	(59,586)	(10,636)
Inventory	8,419	(45,442)
Accounts payable	8,558	28,291
Customer deposit	(29,264)	-
Accrued liabilities and other payables	4,738	27,804
Accrued interest	(62)	-
Taxes payable	4,507	4,319
Payment on lease liabilities	(54,795)	(57,207)
Net cash used in operating activities	(231,723)	(254,475)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	17,209	8,367
Repayment of finance lease liabilities	(3,193)	-
Repayment of government loans	(1,071)	-
Repayment of loan payables	(2,968)	(3,970)
Loan from shareholder	215,611	250,000
Net cash provided by financing activities	225,588	254,397
NET DECREASE IN CASH & EQUIVALENTS	(6,135)	(78)
CASH & EQUIVALENTS, BEGINNING OF PERIOD	6,262	303
CASH & EQUIVALENTS, END OF PERIOD	**$ 127**	**$ 225**
Supplemental Cash Flow Data:		
Income tax paid	$ -	$ -
Interest paid	$ 5,883	$ 6,098
Supplemental disclosures of non-cash financing activities:		
Fixed assets obtained in exchange for new finance lease liabilities	$ -	$ 16,077

The accompanying notes are an integral part of these consolidated financial statements.

BIO ESSENCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023 (UNAUDITED) AND DECEMBER 31, 2022

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Bio Essence Corporation ("the Company" or "Bio Essence") was incorporated in 2000 in the state of California. Fusion Diet Systems ("FDS") was incorporated in 2010 in the state of Utah. Bio Essence and FDS were under common control since 2016. Bio Essence and FDS are mainly engaged in manufacturing and distributing health supplement products. In January 2017, Bio Essence incorporated two subsidiaries in the state of California: Bio Essence Pharmaceutical Inc. ("BEP") and Bio Essence Herbal Essentials, Inc. ("BEH"), Bio Essence transferred its manufacturing operation to BEP, and transferred its distributing operation to BEH. On March 1, 2017, the 100% shareholder of FDS transferred all of her ownership in FDS to Bio Essence. On December 7, 2021, the Company dissolved FDS. On November 12, 2021, Bio Essence incorporated a wholly owned subsidiary McBE Pharma Inc. ("McBE") in the state of California, McBE will be engaged in developing, manufacturing and sales of prescription medicine. As a result of the ownership restructure, BEP BEH and McBE became wholly owned subsidiaries of Bio Essence. McBE has not engaged any operations since its inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements ("CFS") are prepared in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The functional currency of Bio Essence is U.S. dollars ("$''). The accompanying financial statements are presented in U.S. dollars ("$"). The consolidated financial statements include the financial statements of the Company and its subsidiaries, BEP, BEH and McBE. All significant inter-company transactions and balances were eliminated in consolidation.

The interim consolidated financial information as of March 31, 2023 and for the three-month periods ended March 31 30, 2023 and 2022 was prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, which are normally included in CFS prepared in accordance with U.S. GAAP were not included. The interim consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of March 31, 2023, its consolidated results of operations and cash flows for the three months ended March 31, 2023 and 2022, as applicable, were made. The results for the period ended March 31, 2023 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2023 or for any future period.

Reclassification

Certain prior period accounts have been reclassified in conformity with current period's presentation. These reclassifications had no impact on the reported results of operations and cash flows.

Going Concern

The Company incurred net losses of $178,836 and $233,120 for the three months ended March 31, 2023 and 2022, respectively. The Company also had an accumulated deficit of $8,347,431 as of March 31, 2023. These conditions raise a substantial doubt about the Company's ability to continue as a going concern. The Company plans to increase its income by strengthening its sales force, providing attractive sales incentive program, and increasing marketing and promotion activities. Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others. While the Company believes in the viability of its strategy to generate sufficient revenue and in its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

In preparing financial statements in conformity with US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Significant estimates, required by management, include the recoverability of long-lived assets, allowance for doubtful accounts, and the reserve for obsolete and slow-moving inventories. Actual results could differ from those estimates.

Leases

The Company follows ASC 842 and determines if an arrangement is a lease or contains a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities (current and non-current) in the Company's consolidated balance sheets. Finance leases are included in property and equipment, and finance lease liabilities (current and non-current) in the Company's consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally uses the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company elected the package of practical expedients permitted under the transition guidance to combine the lease and non-lease components as a single lease component for operating leases associated with the Company's office space lease, and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of income on a straight-line basis over the lease term.

ROU assets are reviewed for impairment when indicators of impairment are present. ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, Property, Plant, and Equipment, as ROU assets are long-lived nonfinancial assets. The Company recognized no impairment of ROU assets as of March 31, 2023 and December 31, 2022.

Cash and Equivalents

For financial statement purposes, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of March 31, 2023 and December 31, 2022, the bad debt allowance was $2,252 and $2,252, respectively.

Inventory

Inventories are stated at the lower of cost or net realizable value with cost determined on a weighted-average basis. Management compares the cost of inventories with the net realizable value and an allowance is made for writing down their inventories to net realizable value, if lower.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, and impairment losses, if any. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the period benefited. Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets as follows:

Leasehold improvements	7-10 years
Office furniture	5 years

Impairment of Long-Lived Assets

Long-lived assets, which include property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by comparing of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by it. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value ("FV"). FV is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. Based on its review, the Company believes that, as of March 31, 2023 and December 31, 2022, there was no significant impairments of its long-lived assets.

Income Taxes

Income taxes are accounted for using an asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current period and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets also include the prior years' net operating losses carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

The Company follows ASC Topic 740, which prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

Under the provisions of ASC Topic 740, when tax returns are filed, it is likely that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statement of income.

At March 31, 2023 and December 31, 2022, the Company did not take any uncertain positions that would necessitate recording a tax related liability. The Company files a U.S. income tax return. With few exceptions, the Company's U.S. income tax return filed for the years ending on December 31, 2019 and thereafter are subject to examination by the relevant taxing authorities.
The Company accounts for income taxes in interim periods in accordance with FASB ASC 740-270, "Interim Reporting." The Company has determined an estimated annual effective tax rate. The rate will be revised, if necessary, as of the end of each successive interim period during the Company's fiscal year to its best current estimate. The estimated annual effective tax rate is applied to the year-to-date ordinary income (or loss) at the end of the interim period.

Revenue Recognition

The Company recognizes revenues following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

Revenue is measured at the amount of consideration we expect to receive in exchange for the sale of our product, which occurs at a point in time, typically upon delivery to the customer. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that it would have recognized is one year or less or the amount is immaterial.

Revenues from sales of goods are measured at net of reserves established for applicable discounts and allowances that are offered within contracts with the Company's customers, and are recognized when the goods are delivered to the customers.

Product revenue reserves, which are classified as a reduction in product revenues, are generally characterized in the following categories: discounts, returns and rebates. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable as the amount is payable to the Company's customers.

Revenues from manufacture services are recognized when the manufacture process is completed pursuant to the customers' requirement and the manufactured goods were delivered to the customers.

The Company's return policy allows for the return of damaged or defective products and shipment errors. A notice of damage or wrong items should make within five days from receiving the goods, and actual return of the products must be completed within 30 days from the date of receiving the goods. Delayed notification for damaged or wrong products will not be accepted for return or exchange. Custom formulas and capsules are not returnable. The amount for return of products was immaterial for the three months ended March 31, 2023 and 2022.

Cost of Revenue

Cost of goods sold ("COGS") consists primarily of finished goods purchased from other manufacturers, material costs, labor costs and related overhead that are directly attributable to the production of the products. Write-down of inventory to lower of cost or net realizable value is also recorded in COGS.

Cost of manufacture service consists primarily of direct labor costs and related overhead that are directly attributable to the manufacture process.

Shipping and Handling Costs

Shipping and handling costs related to delivery of finished goods are included in selling expenses. During the three months ended March 31, 2023 and 2022, shipping and handling costs were $9,416 and $9,340, respectively.

Advertising

Advertising expenses consist primarily of costs of promotion and marketing for the Company's image and products, and costs of direct advertising, and are included in selling expenses. The Company expenses all advertising costs as incurred. During the three months ended March 31, 2023 and 2022, advertising expense was $5,400 and $1,274, respectively.

Fair Value ("FV") of Financial Instruments

Certain of the Company's financial instruments, including cash and equivalents, accrued liabilities and accounts payable, carrying amounts approximate their FV due to their short maturities. FASB ASC Topic 825, "Financial Instruments," requires disclosure of the FV of financial instruments held by the Company. The carrying amounts reported in the balance sheets for current liabilities each qualify as financial instruments and are a reasonable estimate of their FV because of the short period of time between the origination of such instruments and their expected realization and the current market rate of interest.

Fair Value Measurements and Disclosures

ASC Topic 820, "Fair Value Measurements and Disclosures," defines FV, and establishes a three-level valuation hierarchy for disclosures of FV measurement that enhances disclosure requirements for FV measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the FV measurement.

As of March 31, 2023 and December 31, 2022, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at FV. The carrying value of cash, accounts receivable, prepaid expenses, advances to suppliers, accounts payable, taxes payable, other payables and accrued liabilities approximate estimated fair values because of their short maturities.

Share-based Compensation

The Company accounts for share-based compensation awards in accordance with ASC 718, "Compensation – Stock Compensation". The cost of services received from employees and non-employees in exchange for awards of equity instruments is recognized in the consolidated statement of operations based on the estimated fair value of those awards on the grant date and amortized on a straight-line basis over the requisite service period or vesting period. The Company records forfeitures as they occur.

Earnings (Loss) per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares pertaining to warrants, stock options, and similar instruments had been issued and if the additional common shares were dilutive. Diluted EPS are based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding unvested restricted stock, options and warrants, and the if-converted method for the outstanding convertible instruments. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, outstanding convertible instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later). There were no potentially dilutive securities outstanding (options and warrants) for the three months ended March 31, 2023 and 2022.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of accounts and other receivables. The Company does not require collateral or other security to support these receivables. The Company conducts periodic reviews of the financial condition and payment practices of its customers to minimize collection risk on accounts receivable.

For the three months ended March 31, 2023, the company had one major customer accounted for 34% of the Company's total sales. For the three months ended March 31, 2022, the company had one major customer accounted for 27% of the Company's total sales.

The Company had three major vendors accounted for 22%, 20%, and 17% respectively, of total purchases during the three months ended March 31, 2023. The Company had four major vendors accounted for 23%, 19%, 10% and 10%, respectively, of total purchases during the three months ended March 31, 2022.

Segment Reporting

ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's chief operating decision maker organizes segments within the Company for making operating decisions assessing performance and allocating resources. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

Management determined the Company's operations constitute a single reportable segment in accordance with ASC 280. The Company operates exclusively in one business and industry segment: manufacture and sale of health supplement products.

New Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470- 20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer's own stock and classified in stockholders' equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. The Company is currently evaluating the impact that ASU 2020-06 may have on its CFS and related disclosures.

3. INVENTORY

Inventory consisted of the following at March 31, 2023 and December 31, 2022:

	March 31, 2023 (unaudited)	December 31, 2022
Raw materials	$ 57,438	$ 60,705
Finished goods – health supplements	141,425	146,576
Less: inventory impairment allowance	(26,118)	(26,118)
Total	$ 172,745	$ 181,163

4. SECURITY DEPOSIT

As of March 31, 2023 and December 31, 2022, the security deposit was for rent of the Company's office and warehouse of $41,841.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at March 31, 2023 and December 31, 2022:

	March 31, 2023 (unaudited)	December 31, 2022
Leaseholder improvements	$ 57,067	$ 57,067
Office furniture and equipment	406,241	406,241
Total	463,308	463,308
Less: accumulated depreciation	(233,272)	(216,929)
Net	$ 230,036	$ 246,379

Depreciation for the three months ended March 31, 2023 and 2022 was $16,342 and $10,815, respectively.

6. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (unaudited)	December 31, 2022
Computer Software	$ 36,928	$ 36,928
Trademark	2,350	2,350
Total	39,278	39,278
Less: accumulated amortization	(38,534)	(38,476)
Net	$ 744	$ 802

Amortization of intangible assets was $59 and $6,349 for the three months ended March 31, 2023 and 2022, respectively.

Estimated amortization for the existing intangible assets with finite lives for each of the next five years at March 31, 2023 is as follows: $235, $235, $235 and $39.

7. TAXES PAYABLE

Taxes payable at March 31 2023, and December 31, 2022, was for sales tax and payroll tax payable of $12,899 and $8,392, respectively.

8. ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables consisted of the following March 31, 2023 and December 31, 2022:

	March 31, 2023 (unaudited)	December 31, 2022
Accrued expenses	$ 6,810	$ 6,756
Credit card payable	43,960	39,277
Customer deposit	16,348	45,612
Total	$ 67,118	$ 91,645

9. GOVERNMENT LOANS PAYABLE

In May and June 2020, BEH, BEP and FDS received a total of $127,740 from the Paycheck Protection Program loan ("PPP loan") from US Small Business Administration ("the SBA"). The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (at least 60% of the forgiven amount must have been used for payroll). The loan amount not forgiven, will have annual interest of 1%. Loan payments will be deferred to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. Loans issued prior to June 5, 2020 have a maturity of two years, loans issued after June 5, 2020 have a maturity of five years. No collateral or personal guarantees are required. A borrower may apply for loan forgiveness any time on or before the maturity date of the loan, including before the end of the Covered Period (either (1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or (2) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect to use an eight-week (56-day) Covered Period); provided such application for loan forgiveness is made within 10 months after the last day of the covered period, otherwise the loan is no longer deferred and the borrower must begin paying principal and interest. Subsequently, The U.S. Treasury and SBA announced a streamlined PPP forgiveness application for loans of $50,000 or less (unless those borrowers together with their affiliates received loans totaling $2 million or more). It requires fewer calculations and may call for less documentation. It does not require borrowers to reduce their loan forgiveness calculations if they have reduced full-time equivalent ("FTE") or salaries. In addition, in February 2021, BEH, BEP and FDS received a total of $115,245 from the second round of PPP loan from the SBA. As of December 31, 2021, all BEH, BEP and FDS' PPP loans' forgiveness were approved and the Company recorded $242,985 PPP loan forgiveness as other income in the year ended December 31, 2021.

In May and June 2020, BEH, BEP and FDS received total of $215,600 from the Economic Injury Disaster Loan ("EIDL loan") from the SBA after deducting $100 Uniform Commercial Code ("UCC") handling charge and filing fee for each company. This is a low-interest federal disaster loan for working capital to small businesses and non-profit organizations of any size suffering substantial economic injury as a result of the Coronavirus (COVID-19), to help the businesses to meet financial obligations and operating expenses that could have been met had the disaster not occurred. This loan has interest of 3.75% and is not forgivable. The maturity of the loan is 30 years, installment payments including principal and interest of $515 monthly will begin 12 months from the date of the promissory note. On March 4, 2022, The FDS transferred its EIDL loan to BEC due to the dissolution of FDS. The SBA extended the deferment period to allow small businesses and not-for-profits that received EIDL funds do not have to begin payments on the loan until 30 months after the date of the note. Accordingly, the company began to make installment payments in the fourth quarter 2022.

As of March 31, 2023, the future minimum EIDL loan payments to be paid by year are as follows:

Year Ending	**Amount (unaudited)**
March 31, 2024	$ 4,639
March 31, 2025	4,816
March 31, 2026	5,000
March 31, 2027	5,191
March 31, 2028	5,389
Thereafter	188,797
Total	$ 213,832

10. RELATED PARTY TRANSACTIONS

Loans from Shareholder

At March 31, 2023 and December 31, 2022, the Company had loans from one major shareholder (also the Company's senior officer) for $2,758,766 and $2,543155, respectively. At March 31, 2023 and December, 2022, the Company had loan from another major shareholder for $608,631 for settling the litigation. There are no written loan agreements for these loans. These loans are unsecured, non-interest bearing and have no fixed terms of repayment, and therefore, deemed payable on demand. Cash flows from loans form shareholder are classified as cash flows from financing activities.

11. INCOME TAXES

The Company and its subsidiaries are subject to 21% federal corporate income tax in US.

At March 31, 2023 and December, 2022, the Company had net operating loss ("NOL") for income tax purposes; for federal income tax purposes, the NOL arising in tax years beginning after 2017 may only reduce 80% of a taxpayer's taxable income, and may be carried forward indefinitely; for California income tax purposes, the entire NOL can be carried forward up to 20 years. However, the coronavirus Aid, Relief and Economic Security Act ("the CARES Act") issued in March 2020, provides tax relief to both corporate and noncorporate taxpayers by adding a five-year carryback period and temporarily repealing the 80% limitation for NOLs arising in 2019, 2020 and 2021.

The Company has NOL carry-forwards for Federal and California income tax purposes of $5.42 million and $5.25 million at March 31, 2023 and December 31, 2022, respectively. No tax benefit was reported with respect to these NOL carry-forwards in the accompanying consolidated financial statements because the Company believes the realization of the Company's net deferred tax assets for the NOL for both federal and California State of approximately $1.52 million as of March 31, 2023, was not considered more likely than not and accordingly, the potential tax benefits of the net loss carry-forwards are fully offset by a full valuation allowance.

Components of the Company's deferred tax assets as of March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023 (unaudited)	December 31, 2022
Net deferred tax assets:		
Bad debt expense	$ 1,978	$ 1,978
Inventory impairment	697	697
Operating lease charge	13,596	14,020
Depreciation and amortization	237	237
Expected income tax benefit from NOL carry-forwards	1,517,801	1,467,801
Less: valuation allowance	(1,534,309)	(1,484,733)
Deferred tax assets, net of valuation allowance	$ -	$ -

Income Tax Provision in the Statements of Operations

A reconciliation of the consolidated federal statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the three months ended March 31, 2023 and 2022 is as follows:

	2023 (unaudited)	2022 (unaudited)
Federal statutory income tax expense (benefit) rate	(21.00)%	(21.00)%
State statutory income tax (benefit) rate, net of effect of state income tax deductible to federal income tax	(6.98)%	(6.98)%
Change in valuation allowance	27.98%	27.98%
Effective income tax rate	-%	-%

The provision for income tax expense for the three months ended March 31, 2023 and 2022 consisted of the following:

	2023 (unaudited)	2022 (unaudited)
Income tax expense – current	$ -	$ -
Income tax benefit – current	-	-
Total income tax expense	$	$

12. LEASES

Operating Leases

Warehouse and office lease

Effective October 1, 2018, the Company entered a 62.5 months lease for a facility including warehouse and office in the City of Irvine, California, with a security deposit of $41,841. The monthly rent is approximately $16,200 with a 3% increase each year. The lease provided an option to extend at lease maturity for another five-years, with six months prior written notice of lessee's intention to extend the lease. The Company's CEO is the guarantor of this lease. Lessor will have the right to proceed against guarantor following any breach or default by lessee without first proceeding against lessee and without previous notice to or demand upon either lessee or guarantor.

The components of lease costs, lease term and discount rate with respect of warehouse and office lease in the City of Irvine with an initial term of more than 12 months are as follows:

	Three Months Ended March 31, 2023 (unaudited)	Three Months Ended March 31, 2022 (unaudited)
Operating lease cost	$ 53,281	$ 53,281
Weighted Average Remaining Lease Term - Operating leases including options to renew	5.51 years	6.51 years
Weighted Average Discount Rate - Operating leases	5%	5%

The following is a schedule, by years, of maturities of warehouse and office lease liabilities as of March 31, 2023:

For the 12 months ending	Operating Leases (unaudited)
March 31, 2024	$ 205,848
March 31, 2025	225,757
March 31, 2026	225,757
March 31, 2027	225,757
March 31, 2028	225,757
Thereafter	112,876
Total undiscounted cash flows	1,221,752
Less: imputed interest	(153,535)
Present value of lease liabilities	$ 1,068,217

Equipment leases

In 2017, the Company entered two leases for two copiers with terms of 60 and 63 months respectively, and monthly payments of $162 and $213, respectively. The Company also entered two leases for two forklifts with a term of 60 months for each, and the monthly payment was $292 and $669, respectively. All these equipment lease expired in 2022.

The components of lease costs, lease term and discount rate with respect of these equipment leases are as follows:

	Three Months Ended March 31, 2023 (unaudited)	Three Months Ended March 31, 2022 (unaudited)
Operating lease cost	$ 0.00	$ 4,008
Weighted Average Remaining Lease Term - Operating leases	0.00 years	0.19 years
Weighted Average Discount Rate - Operating leases	5%	5%

Finance lease

Effective March 15, 2022, the company entered two 39-months lease for two copiers with same vendor for a monthly payment of $234 and $214, respectively. Effective June 24, 2022, the company entered two leases for two forklifts with a term of 60 months for each, and the monthly payment was $383 and $451, respectively. At the lease expiration date, the Company has the option to purchase the copier for $1 each.

The components of lease costs, lease term and discount rate with respect of the copier lease with an initial term of more than 12 months are as follows:

	Three Months Ended March 31, 2023
Finance lease cost	(unaudited)
Amortization	$ 3,189
Interest on lease liabilities	645
Total finance lease cost	$ 3,834
Weighted Average Remaining Lease Term - Finance leases	3.78
Weighted Average Discount Rate – Finance leases	5%

The following is a schedule, by years, of maturities of finance lease liabilities as of March 31, 2023:

For the 12 months ending	Finance Leases
	(unaudited)
March 31, 2024	$ 14,890
March 31, 2025	15,337
March 31, 2026	11,310
March 31, 2027	9,967
March 31, 2028	2,492
Total undiscounted cash flows	53,996
Less: imputed interest	(4,900)
Present value of finance lease liabilities	$ 49,096

13. LOAN PAYABLES

In June 2021, the Company entered a loan agreement of $14,549 for purchasing a videojet with interest rate of 14.11% and a term of three-years. In September 2021, the Company entered another loan agreement of $39,218 for purchasing a spectrophotometer workstation with interest rate of 10.26% and a term of five-years. The Company recorded interest expense of $1,091 and $1,345 during the three months ended March 31, 2023 and 2022, respectively.

The following is a schedule, by years, of maturities of loan payable as of March31, 2023:

For the 12 months ending	Loan Payable
	(unaudited)
March 31, 2024	$ 15,389
March 31, 2025	10,959
March 31, 2026	9,974
March 31, 2027	4,156
Total undiscounted cash flows	40,478
Less: imputed interest	(5,932)
Present value of loan payables	$ 34,546

14. SUBSEQUENT EVENTS

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the financial statements were issued and determined the Company did not have any material subsequent event.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Bio Essence Corporation ("the Company" or "Bio Essence") was incorporated in 2000 in the state of California. Fusion Diet Systems ("FDS") was incorporated in 2010 in the state of Utah. Bio Essence and FDS have been owned under common control since 2016. Bio Essence and FDS are mainly engaged in manufacturing and distributing health supplement products. In January 2017, Bio Essence incorporated two subsidiaries in the state of California: BEP and BEH, Bio Essence transferred its manufacturing operation into BEP, and transferred its distributing operation into BEH. On March 1, 2017, the 100% shareholder of FDS transferred all her ownership in FDS into Bio Essence. On December 7, 2021, the Company dissolved FDS. On November 12, 2021, Bio Essence incorporated a wholly owned subsidiary McBE Pharma Inc. ("McBE") in the state of California, McBE will be engaged in research and development and manufacture of prescription medicine. As a result of the ownership restructure, BEP, BEH, and MCBE became wholly owned subsidiaries of Bio Essence, and Bio Essence serves as a holding corporation for these subsidiaries. McBE has not engaged in any operations since its inception.

The primary focus of BEP is producing products for BEH, along with providing OEM services to other companies. BEH targets healthcare practitioners with herbal products in the form of granules, capsules, pills and tablets. It also offers special formulation service to practitioners. The Company intends to develop the subsidiary into an integrated healthcare platform that provides customers direct connections with integrative healthcare practitioners such as dietitians, nutraceutical practitioners, and other practitioners in this discipline worldwide.

However, the pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could negatively affect the Company's liquidity.

Related Party Transactions

Loans from Officer

At March 31, 2023 and December 31, 2022, the Company had loans from one major shareholder (also the Company's senior officer) of $2,758,766 and $2,543,155, respectively. At March 31, 2023 and December 31, 2022, the Company had loan from another major shareholder for $608,631 for settling the litigation. There are no written loan agreements for these loans. These loans are unsecured, non-interest bearing and have no fixed terms of repayment, and therefore, deemed payable on demand.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements ("CFS"), which were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our CFS, we believe the following accounting policies are the most critical to assist you in fully understanding and evaluating this management discussion and analysis.

Basis of Presentation

The accompanying consolidated financial statements ("CFS") are prepared in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The functional currency of Bio Essence is U.S. dollars ("$''). The accompanying financial statements are presented in U.S. dollars ("$"). The consolidated financial statements include the financial statements of the Company and its subsidiaries, BEP, BEH and McBE. All significant inter-company transactions and balances were eliminated in consolidation.

The interim consolidated financial information as of March 31, 2023 and for the three-month periods ended March 31 30, 2023 and 2022 was prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, which are normally included in CFS prepared in accordance with U.S. GAAP were not included. The interim consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of March 31, 2023, its consolidated results of operations and cash flows for the three months ended March 31, 2023 and 2022, as applicable, were made. The results for the period ended March 31, 2023 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2023 or for any future period.

Going Concern

The Company incurred net losses of $178,836 and $233,120 for the three months ended March 31, 2023 and 2022, respectively. The Company also had an accumulated deficit of $8,347,431 as of March 31, 2023. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company plans to increase its income by strengthening its sales force, providing attractive sales incentive programs, and increasing marketing and promotion activities. Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others. While the Company believes in the viability of its strategy to generate sufficient revenue and in its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

In preparing financial statements in conformity with US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Significant estimates, required by management, include the recoverability of long-lived assets, allowance for doubtful accounts, and the reserve for obsolete and slow-moving inventories. Actual results could differ from those estimates.

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of March 31, 2023 and December 31, 2022, the bad debt allowance was $2,252 and $2,252, respectively.

Revenue Recognition

The Company recognizes revenues following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

Revenue is measured at the amount of consideration we expect to receive in exchange for the sale of our product, which occurs at a point in time, typically upon delivery to the customer. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that it would have recognized is one year or less or the amount is immaterial.

Revenues from sales of goods are measured at net of reserves established for applicable discounts and allowances that are offered within contracts with the Company's customers, and are recognized when the goods are delivered to the customers.

Product revenue reserves, which are classified as a reduction in product revenues, are generally characterized in the following categories: discounts, returns and rebates. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable as the amount is payable to the Company's customers.

Revenues from manufacture services are recognized when the manufacture process is completed pursuant to the customers' requirement and the finished goods were delivered to the customers.

The Company's return policy allows for the return of damaged or defective products and shipment errors. A notice of damage or wrong items should make within five days from receiving the goods, and actual return of the products must be completed within 30 days from the date of receiving the goods. Delayed notification for damaged or wrong products will not be accepted for return or exchange. Custom formulas and capsules are not returnable. The amount for return of products was immaterial for the three months ended March 31, 2023 and 2022.

Results of operations

Comparison of three months ended March 31, 2023 and 2022

The following table sets forth the results of our opera*tions for the periods* indicated as a percentage of net sales. Certain columns may not add due to rounding.

	2023	% of Sales	2022	% of Sales	Dollar Increase (Decrease)	Percent Increase (Decrease)
Sales of goods	$ 149,760	43.88%	$ 181,579	59.26%	$ (31,819)	(17.52)%
Manufacture service revenue	191,569	56.12%	124,835	40.74%	66,734	53.46%
Total revenues	341,329	100.00%	306,414	100%	34,915	11.39%
Cost of goods sold	70,500	20.65%	145,665	80.22%	(75,165)	(51.60)%
Cost of manufacture service	104,307	30.56%	90,293	72.33%	14,014	15.52%
Total cost of revenues	174,807	51.21%	235,958	77.01%	(61,151)	(25.92)%
Gross profit	166,522	48.79%	70,456	22.99%	96,066	136.35%
Selling expenses	35,712	10.46%	10,614	3.46%	25,098	236.46%
General and administrative expenses	304,994	89.35%	286,274	93.43%	18,720	6.54%
Operating expenses	340,706	227.50%	296,888	96.89%	43,818	14.76%
Loss from operations	(174,184)	(116.36)%	(226,432)	(73.9)%	52,248	(23.07)%
Other income (expense), net	(4,652)	(1.36)%	(6,688)	(2.18)%	2,036	(30.44)%
Loss before income taxes	(178,836)	(52.39)%	(233,120)	(76.08)%	54,284	(23.29)%
Income tax expense	-	-%	-	-%	-	-%
Net loss	$ (178,836)	(52.39)%	$ (233,120)	(76.08)%	$ 54,284	(23.29)%

Sales

Sales for the three months ended March 31, 2023 and 2022 were $341,329 and $306,414, respectively, an increase of $34,915 or 11.39%. The increase was primarily attributable to (i) increased revenue from manufacture service (OEM) provided by BEP, as we obtained large amount orders from new customers in 2023, offset by (ii) decrease in sales of goods due to lack of stock.

Costs of revenue

Costs of revenue for the three months ended March 31, 2023 and 2022 was $174,807 and $235,958, respectively, a decrease of $61,151 or 25.92%. The decrease of COGS in 2023 was mainly due to decreased cost of products sold. During the three months ended March 31, 2023, we decreased inventory purchased from overseas so that the freight and shipping cost significantly decreased. In addition, the label cost also decreased in light of the decrease in sales of goods. The percentage of cost of sales of goods to total sales of goods was 47.08% and 80.22% for the three months ended March 31, 2023 and 2022, respectively. The percentage of cost of manufacture services to total manufacture income was 54.45% and 72.33% for the three months ended March 31, 2023 and 2022, respectively.

Gross profit

For the factors mentioned above, the gross profit for the three months ended March 31, 2023 and 2022 was $166,522 and $70,456, respectively, an increase of $96,066 or 136.35%. The blended profit margin was 48.79% and 23.0% for the three months ended March 31, 2023 and 2022, respectively.

Operating expenses

Selling expenses consist mainly of advertising, show expense, products marketing, shipping expenses, and promotion expenses. Selling expense was $35,712 for the three months ended March 31, 2023, compared to $10,614 for the three months ended March 31, 2022, an increase of $25,098 or 236.46%, mainly resulting from increased advertising expense by $5,400, increased show expense by $10,510, and increased marketing expense by $9,100.

General and administrative expenses consist mainly of employee salaries and welfare, business meeting, utilities, accounting, consulting, and legal expenses. General and administrative expenses were $304,994 for the three months ended March 31, 2023, compared to $286,274 for the three months ended March 31, 2022, an increase of $18,720 or 6.54%, the increase was mainly due to increased salaries expense by $32,370, was partly offset by decreased commission fee by $4,670, and decreased other G&A expenses by $9,080.

Other expenses, net

Other expenses was $4,652 and $6,688 for the three months ended March 31, 2023 and 2022, respectively. For the three months ended March 31, 2023, other expenses mainly consisted of interest expense of $5,824, financial expense of $976, and net other income of $2,148. For the three months ended March 31, 2022, other expenses mainly consisted of interest expense of $5,160, financial expense of $1,568 and net other income of $40.

Net loss

We had a net loss of $178,836 for the three months ended March 31, 2023, compared to $233,120 for the three months ended March 31, 2022, a decrease of $54,284 or 23.29%, reflected the above-mentioned factors combined.

Liquidity and Capital Resources

As of March 31, 2023, we had cash and equivalents of $127, bank overdraft of 70,860, other current assets of $253,648, other current liabilities (excluding bank overdraft) of $3,712,440, working capital deficit of $3,529,525, a current ratio of 0.07:1. As of December 31, 2022, we had cash and equivalents of $6,262, bank overdraft of 53,651, other current assets of $197,569, other current liabilities (excluding bank overdraft) of $3,504,179, working capital deficit of $3,353,999, a current ratio of 0.06:1.The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2023, and 2022, respectively.

	2023	2022
Net cash used in operating activities	$ (231,723)	$ (254,475)
Net cash used in investing activities	$ -	$ -
Net cash provided by financing activities	$ 225,588	$ 254,397

Net cash used in operating activities

Net cash used in operating activities was $231,723 for the three months ended March 31, 2023, compared to $254,475 in 2022. The decrease of cash outflow of $22,752 from operating activities for the three months ended March 31, 2023 was principally attributable to decreased net loss by $54,284, decreased cash outflow on accounts receivable by $26,436, and decreased cash outflow on inventory by $53,861, which was partly offset by the increased cash outflow on advance to suppliers by $48,950, increased cash outflow on customer deposit by $29,264, and decreased cash inflow on accrued liabilities and other payable by$23,066.

Net cash used in investing activities

Net cash used in investing activities was $0 and $0 for the three months ended March 31, 2023 and 2022, respectively.

Net cash provided by financing activities

Net cash provided by financing activities was $225,588 for the three months ended March 31, 2023, compared to $254,397 in 2022. The net cash provided by financing activities for three months ended March 31, 2023 mainly consisted of proceeds of $215,611 loans from one major shareholder (also the senior officer), decreased bank overdraft of $17,209, but partly offset by repayment of loan payable and finance lease liability of $3,193, and repayment of government loan of $1,071. The net cash provided by financing activities for the three months ended March 31, 2022 consisted of proceeds of $250,000 from loans from one major shareholder (also the senior officer), but partly offset by repayment of loan payable of $3,970.

Our current liabilities exceed current assets at March 31, 2023, and we incurred substantial losses and cash outflows from operating activities in the periods presented. We may have difficulty to meet upcoming cash requirements. As of March 31, 2023, our principal source of funds was loans from an officer (also is the Company's major shareholder). As of March 31, 2022, we believe we will need $1.2 million cash to continue our current business for the next 12 months. In addition to our continuous effort to improve our sales and net profits, we have explored and continue to explore other options to provide additional financing to fund future operations as well as other possible courses of action. Such actions may include, but are not limited to, securing lines of credit, sales of debt or equity securities (which may result in dilution to existing shareholders), loans and cash advances from other third parties or banks, and other similar actions. There can be no assurance that we will be able to obtain additional funding (if needed), on acceptable terms or at all, through a sale of our common stock, loans from financial institutions, or other third parties, or any of the actions discussed above. If we cannot sustain profitable operations, and additional capital is unavailable, lack of liquidity could have a material adverse effect on our business viability, financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in 17 CFR § 229.10(f)(1), we are not required to provide the information requested by this Item.

Item 4. Controls and Procedures.

The Company's Chief Executive, Yin Yan, is responsible for establishing and maintaining disclosure controls and procedures for the Company.

Evaluation of Disclosure Controls and Procedures

For purposes of this Item 4, the term disclosure controls and procedures means controls and other procedures of the Company (i) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (15 U.S.C. 78a *et seq.* and hereinafter the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, and (ii) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

On March 31, 2023, Ms. Yan reviewed the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report and has concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC.

Report of Management

Our management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined in Exchange Act Rule 13a-15. Our ICFR is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Management conducted an assessment of our ICFR based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on the assessment, management concluded that, as of March 31, 2023, our ICFR were effective at the reasonable assurance level based on those criteria.

Our independent public accountant has not conducted an audit of our controls and procedures regarding ICFR and therefore expresses no opinion with regards to the effectiveness or implementation of our controls and procedures with regards to ICFR.

Changes in Internal Controls over Financial Reporting

There were no changes in our ICFR identified in connection with our evaluation of these controls as of the end of the quarter ending on March 31, 2023 as covered by this report that has materially affected, or is reasonably likely to materially affect, our ICFR.

Inherent Limitations on Effectiveness of Controls

The Company's management does not expect that its disclosure controls or its ICFR will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ending on March 31, 2023 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There have been no unregistered sales of equity securities in the first quarter of 2023.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

			Incorporated by reference			
Exhibit	**Exhibit Description**	**Filed herewith**	**Form**	**Period ending**	**Exhibit**	**Filing date**
31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBLR Instance Document					
101.SCH	Inline XBLR Taxonomy Extension Schema Document					
101.CAL	Inline XBLR Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBLR Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBLR Taxonomy Extension Label Linkbase Document					
101.PRE	Inline EBLR Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (formatted as Inline XBLR and Contained in Exhibit 101)					

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

BIO ESSENCE CORP.

/s/ Yin Yan

By: Yin Yan
Its: Chairman of the Board, Chief Executive Officer,
Chief Financial Officer
Date: May 12, 2023

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES AND EXCHANGE ACT RULE 13A-14(A)/15D-14(A), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

BIO ESSENCE CORP.
OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Yin Yan, certify that:

1. I have reviewed this Form 10-Q of Bio Essence Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am the registrant's principal executive officer and thus am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, including but not limited to those identified in Item 4 (Controls and Procedures) in the registrant's quarterly report on Form 10-Q; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2023

By: /s/ *Yin Yan*
Yin Yan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES AND EXCHANGE ACT RULE 13A-14(A)/15D-14(A), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

BIO ESSENCE CORP.
OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Yin Yan, certify that:

1. I have reviewed this Form 10-Q of Bio Essence Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am the registrant’s principal financial officer and am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information in the registrant’s quarterly report on Form 10-Q; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2023

By: /s/ *Yin Yan*
Yin Yan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES AND EXCHANGE ACT RULE 13A-14(A)/15D-14(A), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

BIO ESSENCE CORP.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bio Essence Corp. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yin Yan, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Yin Yan and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 12, 2023

By: /s/ Yin Yan
Yin Yan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES AND EXCHANGE ACT RULE 13A-14(A)/15D-14(A), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

BIO ESSENCE CORP.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report for Bio Essence Corp. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yin Yan, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

(3) A signed original of this written statement required by Section 906 has been provided to Yin Yan and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 12, 2023

By: /s/ Yin Yan
Yin Yan
Chief Financial Officer
(Principal Financial Officer)