Submission Data File

General Information	
Form Type*	10-Q
Contact Name	Edgar Agents
Contact Phone	732-780-5036
Filer Accelerated Status*	Not Applicable
Filer File Number	
Filer CIK*	0001723059 (Bio Essence Corp)
Filer CCC*	**********
Filer is Shell Company*	N
Filer is Smaller Reporting Company	Yes
Confirming Copy	No
Notify via Website only	No
Return Copy	No
SROS*	
Period*	09-30-2023
Emerging Growth Company	Yes
Elected not to use extended transition period	Yes
(End General Information)	

Document Information	
File Count*	6
Document Name 1*	f10q0923_bioessence.htm
Document Type 1*	10-Q
Document Description 1	Quarterly Report
Document Name 2*	f10q0923ex31-1_bioessence.htm
Document Type 2*	EX-31.1
Document Description 2	Certification
Document Name 3*	f10q0923ex31-2_bioessence.htm
Document Type 3*	EX-31.2
Document Description 3	Certification
Document Name 4*	f10q0923ex32-1_bioessence.htm
Document Type 4*	EX-32.1
Document Description 4	Certification
Document Name 5*	f10q0923ex32-2_bioessence.htm
Document Type 5*	EX-32.2
Document Description 5	Certification
Document Name 6*	image_001.jpg
Document Type 6*	GRAPHIC
Document Description 6	Graphic
(End Document Information)	

Notifications	
Notify via Website only	No
E-mail 1	filings@edgaragents.com
(End Notifications)	

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 September 30, 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	☐	Accelerated filer	☐
Non-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 38,009,000 shares of its common stock issued and outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF SEPTEMBER 30, 2023 (UNAUDITED)	AS OF DECEMBER 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 89	$ 6,262
Accounts receivable, net	13,125	5,599
Prepaid expenses	2,915	8,820
Advance to suppliers	87,870	1,987
Inventory, net (Note 3)	125,276	181,163
Total current assets	229,275	203,831
NONCURRENT ASSETS		
Security deposit (Note 4)	91,841	41,841
Right-of-use assets, net	1,549,693	1,054,872
Property and equipment, net (Note 5)	178,114	246,379
Intangible assets, net (Note 6)	626	802
Total non-current assets	1,820,274	1,343,894
TOTAL ASSETS	**$ 2,049,549**	**$ 1,547,725**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	$ 28,088	$ 53,651
Accounts payable	39,032	49,776
Taxes payable (Note 7)	22,962	8,392
Accrued liabilities and other payables (Note 8)	56,534	91,645
Accrued interest on government loans	17,345	16,867
Operating lease liabilities (Note 12)	483,040	156,560
Finance lease liabilities (Note 12)	13,494	12,603
Loan payables (Note 13)	11,500	11,954
Government loans payable - current portion (Note 9)	4,727	4,596
Loan from shareholders (Note 10)	1,517,277	3,151,786
Total current liabilities	2,193,999	3,557,830
NONCURRENT LIABILITIES		
Operating lease liabilities (Note 12)	1,068,080	952,756
Finance lease liabilities (Note 12)	29,504	39,687
Loan payables (Note 13)	17,288	25,561
Government loans payable (Note 9)	207,286	210,306
Total non-current liabilities	1,322,158	1,228,310
TOTAL LIABILITIES	**3,516,157**	**4,786,140**
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock $0.0001 par value; authorized shares 10,000,000	-	-
Common stock $0.0001 par value; authorized shares 100,000,000; issued and outstanding shares 38,009,000 and 33,009,000 as of September 30, 2023 and December 31, 2022	3,801	3,301
Additional paid in capital	7,476,378	4,926,879
Accumulated deficit	(8,946,787)	(8,168,595)
TOTAL STOCKHOLDERS' DEFICIT	(1,466,608)	(3,238,415)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 2,049,549**	**$ 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)

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	2023	**2022**	**2023**	**2022**
Revenues				
Sales of goods	$ 407,814	$ 483,432	$ 116,148	$ 163,342
Manufacture service revenue	348,784	303,170	39,547	28,710
Total revenues	756,598	786,602	155,695	192,052
Cost of revenues				
Cost of goods sold	212,359	232,911	53,768	62,539
Cost of manufacture service	247,797	239,380	81,682	43,006
Total cost of revenues	460,156	472,291	135,450	105,545
Gross profit	296,442	314,311	20,245	86,507
Operating expenses				
Selling	96,509	68,858	23,416	20,365
General and administrative	948,004	820,350	343,977	258,712
Total operating expenses	1,044,513	889,208	367,393	279,077
Loss from operations	(748,071)	(574,897)	(347,148)	(192,570)
Other income (expenses)				
Interest expense	(15,957)	(15,575)	(5,483)	(5,256)
Finance Lease interest expense	(1,793)	(920)	(565)	(724)
Financial expense	(3,078)	(4,595)	(972)	(917)
Other income	68,330	3,376	63,373	341
Other expense	(74,423)	(737)	(24,047)	(107)
Other income (expenses), net	(26,921)	(18,451)	32,306	(6,663)
Loss before income tax	(774,992)	(593,348)	(314,842)	(199,233)
Income tax expense	3,200	3,200	-	-
Net loss	**$ (778,192)**	**$ (596,548)**	**$ (314,842)**	**(199,233)**
Basic and diluted weighted average shares outstanding	35,261,747	33,009,000	38,009,000	33,009,000
Basic and diluted net loss per share	**$ (0.02)**	**$ (0.02)**	**$ (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
NINE AND THREE MONTHS ENDED SEPTEMBER 30, 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)
Net loss	-	-	-	(284,515)	(284,515)
Shares issued for shareholder's loan settlement	5,000,000	500	2,549,500	-	2,550,000
Balance at June 30, 2023	38,009,000	3,801	7,476,379	(8,631,946)	(1,151,766)
Net loss	-	-	-	(314,842)	(314,842)
Balance at September 30, 2023	38,009,000	$ 3,801	$ 7,476,379	$ (8,946,788)	$ (1,466,608)

	COMMON STOCK - SHARES	COMMON STOCK - AMOUNT	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
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)
Net loss	-	-	-	(164,193)	(164,193)
Balance at June 30, 2022	33,009,000	3,301	4,926,879	(7,756,229)	(2,826,049)
Net loss	-	-	-	(199,233)	(199,233)
Balance at September 30, 2022	33,009,000	$ 3,301	$ 4,926,879	$ (7,955,462)	$ (3,025,282)

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

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (778,192)	$ (596,548)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,998	37,668
Operating lease expense	221,957	165,558
Gain on operating lease termination	(61,844)	-
Loss on shareholder's note conversion	50,000	-
Loss on disposal of fixed assets	23,058	-
Increase (decrease) in assets: Changes in assets / liabilities:		
Accounts receivable	(7,527)	(29,874)
Prepaid expenses	5,905	26,863
Advance to suppliers	(85,883)	-
Security deposit	(50,000)	-
Inventory	55,887	12,225
Accounts payable	(10,744)	10,746
Customer deposit	(43,303)	(28,283)
Accrued liabilities and other payables	8,193	8,404
Accrued interest	478	3,154
Taxes payable	14,568	(3,320)
Payment on lease liabilities	(213,130)	(180,551)
Net cash used in operating activities	(821,579)	(573,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for leasehold improvement	(3,614)	-
Purchase of fixed assets	-	(53,593)
Net cash used in investing activities	(3,614)	(53,593)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	(25,563)	13,801
Repayment of finance lease liabilities	(9,291)	(4,646)
Repayment of government loans	(2,890)	-
Repayment of loan payables	(8,727)	(9,335)
Loan from shareholder	865,491	628,000
Net cash provided by financing activities	819,020	627,820
NET DECREASE (INCREASE) IN CASH & EQUIVALENTS	(6,173)	269
CASH & EQUIVALENTS, BEGINNING OF PERIOD	6,262	303
CASH & EQUIVALENTS, END OF PERIOD	$ 89	$ 572
Supplemental Cash Flow Data:		
Income tax paid	$ 3,200	$ 3,200
Interest paid	$ 16,958	$ 4,716
Supplemental disclosures of non-cash investing and financing activities:		
Conversion of loan from shareholders to common shares	$ 2,500,000	$ -
Fixed assets obtained in exchange for new finance lease liabilities	$ -	$ 60,091
Recognition of ROU asset and operating lease liability	$ 1,589,863	$ -
Termination of ROU asset and operating lease liability	$ 935,073	$ -

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

BIO ESSENCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 2023 and for the nine and three months ended September 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 September 30, 2023, its consolidated results of operations and cash flows for the nine and three months ended September 30, 2023 and 2022, as applicable, were made. The results for the period ended September 30, 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 $778,192 and $596,548 for the nine months ended September 30, 2023 and 2022, respectively. The Company incurred net losses of $314,842 and $199,233 for the three months ended September 30, 2023 and 2022, respectively. The Company also had an accumulated deficit of $8,946,787 as of September 30, 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 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 nine and three months ended September 30, 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 nine months ended September 30, 2023 and 2022, shipping and handling costs were $32,596 and $27,382, respectively. During the three months ended September 30, 2023 and 2022, shipping and handling costs were $12,638 and $ 7,629, 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 nine months ended September 30, 2023 and 2022, advertising expenses were $63,912 and $41,476, respectively. During the three months ended September 30, 2023 and 2022, advertising expenses were $10,778 and $12,736, 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 September 30, 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 nine and three months ended September 30, 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 nine months ended September 30, 2023, one major customer accounted for 22% of the Company's total sales. For the nine months ended September 30, 2022, the company had two major customers accounted for 12% and 12%, respectively, of the Company's total sales.

For the three months ended September 30, 2023 and 2022, no customers accounted for more than 10% of the Company's total sales.

The Company had four major vendors accounted for 29%, 15%, 12% and 10%, respectively, of total purchases during the nine months ended September 30, 2023. The Company had four major vendors accounted for 17%, 14% and 14%, and 12%, respectively, of total purchases during the nine months ended September 30, 2022.

The Company had four major vendors accounted for 23%, 15%, 14%, 14%, respectively, of total purchases during the three months ended September 30, 2023. The Company had two major vendors accounted for 65% and 13%, respectively, of total purchases during the three months ended September 30, 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

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 replaces the probable, incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost basis. Am entity should apply ASU 2016-13 on a modified-retrospective transition approach that would require a cumulative-effect adjustment to the opening retained earnings in the balance sheets as of the date of adoption. In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminates the accounting guidance for trouble debt restructurings by creditors and enhances the disclosure requirements for modifications of loans to borrowers experiencing financial difficulty. Additionally, ASU 2022-02 requires disclosure of gross write-offs by year of origination for receivables within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost, which should be applied prospectively. Both ASU 2016-13 and ASU 2022-02 are effective for smaller reporting companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU 2016-13 and ASU 2022-02 beginning January 1, 2023. The adoption of ASU 2016-13 and ASU 2022-02 did not have any impact on the Company's consolidated financial statement presentation or disclosures.

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 consolidated financial statement presentation and related disclosures.

In March 2023, the FASB issued ASU 2023-01, Lease (Topic 842): Common Control Arrangements, which clarifies the accounting for leasehold improvements associated with leases between entities under common control (hereinafter referred to as common control lease). ASU 2023-01 requires entities to amortize leasehold improvements associated with common control lease over the useful life to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease, and to account for any remaining leasehold improvements as a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the underlying asset. This ASU will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. An entity may apply ASU 2023-01 either prospectively or retrospectively. The Company is currently evaluating the impact that the adoption of ASU 2023-01 will have on its consolidated financial statement presentation and disclosures.

3. INVENTORY

Inventory consisted of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(unaudited)	
Raw materials	$ 6,283	$ 60,705
Finished goods – health supplements	145,127	146,576
Less: inventory impairment allowance	(26,134)	(26,118)
Total	$ 125,276	$ 181,163

4. SECURITY DEPOSIT

As of September 30, 2023 and December 31, 2022, the security deposit was for rent of the Company's office and warehouse of $91,841 and $41,841, respectively. The Company made a deposit of $50,000 for a new lease that was effective on September 1, 2023.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(unaudited)	
Leasehold improvements	$ 13,327	$ 57,067
Office furniture and equipment	394,399	406,241
Total	407,726	463,308
Less: accumulated depreciation	(229,612)	(216,929)
Net	$ 178,114	$ 246,379

Depreciation for the nine months ended September 30, 2023 and 2022 was $48,822 and $37,492, respectively.

Depreciation for the three months ended September 30, 2023 and 2022 was $16,289 and $15,232, respectively.

6. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(unaudited)	
Computer Software	$ 36,928	$ 36,928
Trademark	2,350	2,350
Total	39,278	39,278
Less: accumulated amortization	(38,652)	(38,476)
Net	$ 626	$ 802

Amortization of intangible assets was $176 and $176 for the nine months ended September 30, 2023 and 2022, respectively.

Amortization of intangible assets was $59 and $59 for the three months ended September 30, 2023 and 2022, respectively.

Estimated amortization for the existing intangible assets with finite lives for each of the next five years at September 30, 2023 is as follows: $235, $235 and $157.

7. TAXES PAYABLE

Taxes payable at September 30, 2023 and December 31, 2022, was for sales tax and payroll tax payable of $22,962 and $8,392, respectively.

8. ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables consisted of the following September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(unaudited)	
Accrued expenses	$ 6,810	$ 6,756
Credit card payable	47,415	39,277
Customer deposit	2,309	45,612
Total	$ 56,534	$ 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 September 30, 2023, the future minimum EIDL loan payments to be paid by year are as follows:

Year Ending	**Amount**
	(unaudited)
September 30, 2024	$ 4,727
September 30, 2025	4,907
September 30, 2026	5,094
September 30, 2027	5,289
September 30, 2028	5,491
Thereafter	186,504
Total	$ 212,013

10. RELATED PARTY TRANSACTIONS

Loans from Shareholder

At September 30, 2023 and December 31, 2022, the Company had loans from one major shareholder (also the Company's senior officer) for $908,646 and $2,543,155, respectively. At September 30, 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. Cash flows from loans from shareholder are classified as cash flows from financing activities.

On May 31, 2023, the Board of Directors of Bio Essence Corp. (the "Company"), approved a debt-to-equity conversion. The Company and Ms. Yan (the Company's Chief Executive Officer also the Company's major shareholder) agreed to a debt conversion whereby Ms. Yan receives 5,000,000 shares of the Company's common stock in exchange for retirement of the $2,500,000 debt. The Board of Directors of the Company executed the Consent Resolution on June 2, 2023. On June 2, 2023, the closing price of the Company's common stocks trading on OTC Market was $0.51 per share. The Company incurred $50,000 loss from this conversion.

11. INCOME TAXES

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

At September 30, 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 $5.89 million and $5.27 million at September 30, 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 $1.67 million as of September 30, 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 September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (unaudited)	December 31, 2022
Net deferred tax assets:		
Bad debt expense	$ 1,978	$ 1,978
Inventory impairment	697	697
Operating lease charge	12,688	14,020
Depreciation and amortization	7,561	237
Expected income tax benefit from NOL carry-forwards	1,647,250	1,467,801
Less: valuation allowance	(1,670,174)	(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 nine months ended September 30, 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	(4.77)%	(6.44)%
Change in valuation allowance	26.18%	27.98%
Effective income tax rate	0.41%	0.54%

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 September 30, 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)%	(6.64)%
Change in valuation allowance	27.98%	27.64%
Effective income tax rate	0.00%	0.00%

The provision for income tax expense for the nine months ended September 30, 2023 and 2022 consisted of the following:

	2023 (unaudited)	2022 (unaudited)
Income tax expense – current	$ 3,200	$ 3,200
Income tax benefit – current	-	-
Total income tax expense	$ 3,200	$ 3,200

The provision for income tax expense for the three months ended September 30, 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. At the commence of the lease, the Management intended to use the option to extend 3 more years in the lease term. Lately, the Management decided to let the lease expire without renew on September 30, 2023. The Company recorded approximately $61,844 gain at termination of the lease and the amount was included into other expenses.

On May 18, 2023, the Company entered a 36 months lease for a facility including warehouse and office in the City of Irvine, California, with a security deposit of $50,000, effective on September 1, 2023. The monthly rent is approximately $47,100 with a 3% increase each year.

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

	Nine Months Ended September 30, 2023 (unaudited)	Nine Months Ended September 30, 2022 (unaudited)
Operating lease cost	$ 221,957	$ 159,844
Weighted Average Remaining Lease Term - Operating leases including options to renew	2.92 years	6.01 years
Weighted Average Discount Rate - Operating leases	5%	5%

	Three Months Ended September 30, 2023 (unaudited)	Three Months Ended September 30, 2022 (unaudited)
Operating lease cost	$ 101,808	$ 53,281
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 September 30, 2023:

For the 12 months ending	Operating Leases (unaudited)
September 30, 2024	$ 566,613
September 30, 2025	583,611
September 30, 2026	549,652
Thereafter	-
Total undiscounted cash flows	1,699,876
Less: imputed interest	(148,756)
Present value of lease liabilities	$ 1,551,120

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:

	Nine Months Ended September 30, 2023 (unaudited)	Nine Months Ended September 30, 2022 (unaudited)
Operating lease cost	$ 0.00	$ 5,714
Weighted Average Remaining Lease Term - Operating leases	0.00 years	0.14 years
Weighted Average Discount Rate - Operating leases	5%	5%

	Three Months Ended September 30, 2023 (unaudited)	Three Months Ended September 30, 2022 (unaudited)
Operating lease cost	$ 0.00	$ 488
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:

	Nine Months Ended September 30, 2023 (unaudited)	Nine Months Ended September 30, 2022 (unaudited)
Finance lease cost		
Amortization	$ 9,687	$ 4,257
Interest on lease liabilities	1,793	920
Total finance lease cost	$ 11,480	$ 5,177
Weighted Average Remaining Lease Term - Finance leases	3.29	4.23
Weighted Average Discount Rate – Finance leases	5%	5%

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Finance lease cost	(unaudited)	(unaudited)
Amortization	$ 3,270	$ 3,110
Interest on lease liabilities	543	724
Total finance lease cost	$ 3,813	$ 3,834
Weighted Average Discount Rate – Finance leases	5%	5%

The following is a schedule, by years, of maturities of finance lease liabilities as of September 30, 2023:

For the 12 months ending	Finance Leases
	(unaudited)
September 30, 2024	$ 15,337
September 30, 2025	13,995
September 30, 2026	9,967
September 30, 2027	7,475
Total undiscounted cash flows	46,774
Less: imputed interest	(3,776)
Present value of finance lease liabilities	$ 42,998

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 $2,806 and $3,796 during the nine months ended September 30, 2023 and 2022, respectively. The Company recorded interest expense of $837 and $1,185 during the three months ended September 30, 2023 and 2022, respectively.

The following is a schedule, by years, of maturities of loan payable as of September 30, 2023:

For the 12 months ending	Loan Payable
	(unaudited)
September 30, 2024	$ 13,913
September 30, 2025	9,974
September 30, 2026	9,143
September 30, 2027	-
Total undiscounted cash flows	33,030
Less: imputed interest	(4,242)
Present value of loan payables	$ 28,788

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

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 September 30, 2023 and December 31, 2022, the Company had loans from one major shareholder (also the Company's senior officer) of $908,646 and $2,543,155, respectively. At September 30, 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.

On May 31, 2023, the Board of Directors of the Company, approved a debt-to-equity conversion. The Company and Ms. Yan (the Company's Chief Executive Officer also the major shareholder) agreed to a debt conversion whereby Ms. Yan receives 5,000,000 shares of the Company's common stock in exchange for retirement of the $2,500,000 debt. The Board of Directors of the Company executed the Consent Resolution on June 2, 2023. On June 2, 2023, the closing price of the Company's common stocks trading on OTC Market was $0.51 per share. The Company incurred a $50,000 loss on this conversion.

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 September 30, 2023 and for the nine and three-month periods ended September 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 June 30, 2023, its consolidated results of operations for the nine and three months ended September 30, 2023 and 2022, and cash flows for the nine and three months ended September 30, 2023 and 2022, as applicable, were made. The results for the period ended September 30, 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 $778,192 and $596,548 for the nine months ended September 30, 2023 and 2022, respectively. The Company incurred net losses of $314,842 and $199,233 for the three months ended September 30, 2023 and 2022, respectively. The Company also had an accumulated deficit of $8,946,787 as of September 30, 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 September 30, 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 six months and three months ended June 30, 2023 and 2022.

Results of operations

Comparison of nine months ended September 30, 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	$ 407,814	53.90%	$ 483,432	61.46%	$ (75,618)	(15.64)%
Manufacture service revenue	348,784	46.10%	303,170	38.54%	45,614	15.05%
Total revenues	756,598	100.00%	786,602	100.00%	(30,004)	(3.81)%
Cost of goods sold	212,359	28.07%	232,911	29.61%	(20,552)	(8.82)%
Cost of manufacture service	247,797	32.75%	239,380	30.43%	8,417	3.52%
Total cost of revenues	460,156	60.82%	472,291	60.04%	(12,135)	(2.57)%
Gross profit	296,442	39.18%	314,311	39.96%	(17,869)	(5.69)%
Selling expenses	96,509	12.76%	68,858	8.75%	27,651	40.16%
General and administrative expenses	948,004	125.30%	820,350	104.29%	127,654	15.56%
Operating expenses	1,044,513	138.05%	889,208	113.04%	155,305	17.47%
Loss from operations	(748,071)	(98.87)%	(574,897)	(73.09)%	(173,174)	30.12%
Other income (expense), net	(26,921)	(3.56)%	(18,451)	(2.35)%	(8,470)	45.91%
Loss before income taxes	(774,992)	(102.43)%	(593,348)	(75.43)%	(181,644)	30.61%
Income tax expense	3,200	0.42%	3,200	0.41%	-	-%
Net loss	$ (778,192)	(102.85)%	$ (596,548)	(75.84)%	$ (181,644)	30.45%

Sales

Sales for the nine months ended September 30, 2023 and 2022 were $756,598 and $786,602, respectively, a decrease of $30,004 or 3.81%. The decrease was primarily attributable to (i) decrease in sales of goods due to lack of stock, and (ii) decreased shipping income resulting from us offering free shipping to attract more customers, offset by (iii) increased revenue from manufacture service (OEM) provided by BEP, as we obtained quite a few large amount orders from new customers in 2023.

Costs of revenue

Costs of revenue for the nine months ended September 30, 2023 and 2022 was $460,156 and $472,291, respectively, a decrease of $12,135 or 2.57%. The decrease of COGS in 2023 was mainly due to decreased cost of products sold in light of the decrease in sale. During the nine months ended September 30, 2023, we continue to control our inventory purchased from overseas at a minimum level. However, the percentage of cost of goods sold to total sales of goods was 52.07% and 48.18% for the nine months ended June 30, 2023 and 2022, respectively, an increase of 3.89%. The percentage of cost of manufacture services to total manufacture income was 71.05% and 78.96% for the nine months ended September 30, 2023 and 2022, respectively, a decrease of 7.91%.

Gross profit

For the factors mentioned above, the gross profit for the nine months ended September 30, 2023 and 2022 was $296,442 and $314,311, respectively, a decrease of $17,869 or 5.69%. The blended profit margin was 39.18% and 39.96% for the nine months ended September 30, 2023 and 2022, respectively. The decrease in gross profit margin was mainly due to decreased gross profit of $55,066 from sales of goods, and partly offset by the increased gross profit from manufacture service.

Operating expenses

Selling expenses consist mainly of advertising, show expense, products marketing, shipping expenses, and promotion expenses. Selling expense was $96,509 for the nine months ended September 30, 2023, compared to $68,858 for the nine months ended September 30, 2022, an increase of $27,651 or 40.16%, mainly resulting from increased show expense by $11,530 and increased marketing expense by $17,550, which was partly offset by decreased advertising fee by $6,650.

General and administrative expenses consist mainly of employee salaries and welfare, business meeting, utilities, accounting, consulting, and legal expenses. General and administrative expenses were $948,004 for the nine months ended September 30, 2023, compared to $820,350 for the nine months ended September 30, 2022, an increase of $127,654 or 15.56%, the increase was mainly due to increased salaries expense by $53,410 as our average salaries increased, increased office rental expense by $48,530, and increased contractor labor fee by $15,090, offset by decreased commission fee by $9,480.

Other expenses, net

Other expenses was $26,921 and $18,451 for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, other expenses mainly consisted of interest expense of $15,957, finance lease interest expenses of $1,793, financial expense of $3,078, loss of $50,000 in debt to stock conversion, loss of $23,058 in disposal of fixed assets, offset by a gain of $61,844 on termination of a lease. For the nine months ended September 30, 2022, other expenses mainly consisted of interest expense of $16,495, finance lease interest expenses of $4,595, and net other income of $2,639.

Net loss

We had a net loss of $778,192 for the nine months ended September 30, 2023, compared to $596,548 for the nine months ended September 30, 2022, an increase of $181,644 or 30.45%, reflected the above-mentioned factors combined.

Comparison of three months ended September 30, 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	$ 116,148	74.60%	$ 163,342	85.05%	$ (47,194)	(28.89)%
Manufacture service revenue	39,547	25.40%	28,710	14.95%	10,837	37.75%
Total revenues	155,695	100.00%	192,052	100.00%	(36,357)	(18.93)%
Cost of goods sold	53,768	34.53%	62,539	32.56%	(8,771)	(14.02)%
Cost of manufacture service	81,682	52.46%	43,006	22.39%	38,676	89.93%
Total cost of revenues	135,450	87.00%	105,545	54.96%	29,905	28.33%
Gross profit	20,245	13.00%	86,507	45.04%	(66,262)	(76.60)%
Selling expenses	23,416	15.04%	20,365	10.60%	3,051	14.98%
General and administrative expenses	343,977	220.93%	258,712	134.71%	85,265	32.96%
Operating expenses	367,393	235.97%	279,077	145.31%	88,316	31.65%
Loss from operations	(347,148)	(222.97)%	(192,570)	(100.27)%	(154,578)	80.27%
Other income (expense), net	32,306	20.75%	(6,663)	(3.47)%	38,969	(584.86)%
Loss before income taxes	(314,842)	(202.22)%	(199,233)	(103.74)%	(115,609)	58.03%
Income tax expense	-	-%	-	-%	-	-%
Net loss	$ (314,842)	(202.22)%	$ (199,233)	(103.74)%	$ (115,609)	58.03%

Sales

Sales for the three months ended September 30, 2023 and 2022 were $155,695 and $192,052, respectively, a decrease of $36,357 or 18.93%. The decrease was primarily attributable to decrease in sales of goods due to relocation of the company.

Costs of revenue

Costs of revenue for the three months ended September 30, 2023 and 2022 was $135,450 and $105,545, respectively, an increase of $29,905 or 28.33%. The increase was mainly due to increased labor cost for manufacturing services.

Gross profit

For the factors mentioned above, the gross profit for the three months ended September 30, 2023 and 2022 was $20,245 and $86,507, respectively, a decrease of $66,262 or 76.60%. The blended profit margin was 13.00% and 45.04% for the three months ended September 30, 2023 and 2022, respectively. The decreased gross profit margin was mainly due to the decreased of sales of goods and increased manufacture service costs.

Operating expenses

Selling expenses consist mainly of advertising, show expense, products marketing, shipping expenses, and promotion expenses. Selling expense was $23,416 for the three months ended September 30, 2023, compared to $20,365 for the three months ended September 30, 2022, an increase of $3,051 or 14.98%, mainly resulting from increased shipping expense by $5,010, and increased marketing expense by $6,000, which was partly offset by decreased show expense by $7,360.

General and administrative expenses consist mainly of employee salaries and welfare, business meeting, utilities, accounting, consulting, and legal expenses. General and administrative expenses were $343,977 for the three months ended September 30, 2023, compared to $258,712 for the three months ended September 30, 2022, an increase of $85,265 or 32.96%, the increase was mainly due to increased salaries expense by $34,510, increased office rental expense by $48,530, offset by decreased maintenance and repair expenses by $6,180.

Other expenses, net

Other income was $32,306 and other expense was $6,663 for the three months ended September 30, 2023 and 2022, respectively. For the three months ended September 30, 2023, other income mainly consisted of gain of $61,844 on termination of a lease, offset by loss of $23,058 in disposal of fixed assets and interest expense of $5,483. For the three months ended September 30, 2022, other expenses mainly consisted of total interest expense of $5,980 and financial expense of $917.

Net loss

We had a net loss of $314,842 for the three months ended September 30, 2023, compared to $199,233 for the three months ended September 30, 2022, an increase of $115,609 or 58.03%, reflected the above-mentioned factors combined.

Liquidity and Capital Resources

As of September 30, 2023, we had cash and equivalents of $89, bank overdraft of $28,088, other current assets of $229,186, other current liabilities (excluding bank overdraft) of $2,165,911, working capital deficit of $1,964,724, a current ratio of 0.10:1. 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 nine months ended September 30, 2023, and 2022, respectively.

	2023	2022
Net cash used in operating activities	$ (821,579)	$ (573,958)
Net cash used in investing activities	$ (3,614)	$ (53,593)
Net cash provided by financing activities	$ 819,020	$ 627,820

Net cash used in operating activities

Net cash used in operating activities was $821,579 for the nine months ended September 30, 2023, compared to $573,958 in 2022. The increase of cash outflow of $247,621 from operating activities for the nine months ended September 30, 2023 was principally attributable to increased net loss by $181,644, increased cash outflow on accounts payable by $21,490, increased cash outflow on advance to suppliers by $85,883, which was partly offset by increased cash inflow on inventory by $43,662.

Net cash used in investing activities

Net cash used in investing activities was $3,614 and $53,593 for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, net cash used in investing activities was mainly for the payment of leaseholder improvement. For the nine months ended September 30, 2022, net cash used in investing activities was mainly for the purchase of fixed assets.

Net cash provided by financing activities

Net cash provided by financing activities was $819,020 for the nine months ended September 30, 2023, compared to $627,820 in 2022. The net cash provided by financing activities for nine months ended September 30, 2023 mainly consisted of proceeds of $865,491 loan from one major shareholder (also the senior officer), partly offset by bank overdraft of 25,563, and repayment of loan payable and finance lease liability of $18,018. The net cash provided by financing activities for the nine months ended September 30, 2022 consisted of proceeds of $628,000 from loan from one major shareholder (also the senior officer) and increase in bank overdraft of $13,801, partly offset by repayment of loan payable of $9,335 and payment of finance lease liability of $4,646.

Our current liabilities exceed current assets at September 30, 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 September 30, 2023, our principal source of funds was loans from an officer (also is the Company's major shareholder). As of September 30, 2023, 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.

Contractual Obligations

Lease commitment

Operating lease

On May 18, 2023, the Company entered a 36 months lease for a facility including warehouse and office in the City of Irvine, California, with a security deposit of $50,000, effective on September 1, 2023. The monthly rent is approximately $47,100 with a 3% increase each year.

The following is a schedule, by years, of maturities of warehouse and office lease liabilities as of September 30, 2023:

For the 12 months ending	Operating Leases (unaudited)
September 30, 2024	$ 566,613
September 30, 2025	583,611
September 30, 2026	549,652
Thereafter	-
Total undiscounted cash flows	1,699,876
Less: imputed interest	(148,756)
Present value of lease liabilities	$ 1,551,120

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 following is a schedule, by years, of maturities of finance lease liabilities as of September 30, 2023:

For the 12 months ending	Finance Leases (unaudited)
September 30, 2024	$ 15,337
September 30, 2025	13,995
September 30, 2026	9,967
September 30, 2027	7,475
Total undiscounted cash flows	46,774
Less: imputed interest	(3,776)
Present value of finance lease liabilities	$ 42,998

Long-Term Debts

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 $2,806 and $3,796 during the nine months ended September 30, 2023 and 2022, respectively. The Company recorded interest expense of $837 and $1,185 during the three months ended September 30, 2023 and 2022, respectively.

The following is a schedule, by years, of maturities of loan payable as of September 30, 2023:

For the 12 months ending	**Loan Payable**
	(unaudited)
September 30, 2024	$ 13,913
September 30, 2025	9,974
September 30, 2026	9,143
September 30, 2027	-
Total undiscounted cash flows	33,030
Less: imputed interest	(4,242)
Present value of loan payables	$ 28,788

Government loans

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 September 30, 2023, the future minimum EIDL loan payments to be paid by year are as follows:

Year Ending	**Amount**
	(unaudited)
September 30, 2024	$ 4,727
September 30, 2025	4,907
September 30, 2026	5,094
September 30, 2027	5,289
September 30, 2028	5,491
Thereafter	186,504
Total	$ 212,013

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 September 30, 2023, Ms. Yan and Mr. Sluss 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 September 30, 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 September 30, 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 September 30, 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.

None.

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	X				
101.SCH	Inline XBLR Taxonomy Extension Schema Document	X				
101.CAL	Inline XBLR Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBLR Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBLR Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline EBLR Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as Inline XBLR and Contained in Exhibit 101)	X				

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

Date: November 13, 2023

/s/ William E. Sluss

By: William E. Sluss
Its: Chief Financial Officer

Dated: November 13, 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: November 13, 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, William E. Sluss, 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: November 13, 2023

By: /s/ *William E. Sluss*
William E. Sluss
Chief Financial Officer
(Principal Executive 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 September 30, 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: November 13, 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 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William E. Sluss, 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 William E. Sluss and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 13, 2023

By: /s/ William E. Sluss
William E. Sluss
Chief Financial Officer
(Principal Executive Officer)