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

Amendment No. 2 to
FORM 10-Q/A

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

For the quarterly period ended March 31, 2024

OR

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

Commission file number: 000-56263

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.)

12 Chrysler Unit B Irvine CA 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 ☐

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.

Explanatory Note

This Amendment to Form 10-Q for the period ended March 31, 2024 ("Quarterly Report") is filed to update a disclosure in Part I Item 4, regarding the Company's internal controls. The balance of the Quarterly Report remains unchanged.

TABLE OF CONTENTS

		PAGE
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Balance Sheets as of March 31, 2024 (Unaudited) and December 31, 2023	1
	Statements of Operations for three months ended March 31, 2024 and 2023 (Unaudited)	2
	Statements of Changes in Stockholders' Equity for three months ended March 31, 2024 and 2023 (Unaudited)	3
	Statements of Cash Flows for three months ended March 31, 2024 and 2023 (Unaudited)	4
	Notes to Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 4.	Controls and Procedures	23
PART II		25
Item 1.	Legal Proceedings	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults Upon Senior Securities	25
Item 4.	Mine Safety Disclosures	25
Item 5.	Other Information	25
Item 6.	Exhibits	25
	Signatures	26

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF MARCH 31, 2024 (UNAUDITED) (RESTATED)	AS OF DECEMBER 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 23	$ -
Receivable from sales of subsidiaries	700,000	300,000
Other receivables	197,294	-
Total current assets	897,317	300,000
NONCURRENT ASSETS		
Security deposit	52,545	52,545
Right-of-use assets, net	1,304,223	1,427,918
Property and equipment, net	238	3,688
Intangible assets, net	509	567
Total non-current assets	1,357,515	1,484,718
Assets classified as held for sale	-	973,862
TOTAL ASSETS	**$ 2,254,832**	**$ 2,758,580**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	$ -	$ 9,436
Accounts payable	13,006	12,453
Accrued liabilities and other payables	334,997	137,700
Accrued interest on government loans	2,359	2,377
Operating lease liabilities	587,417	495,217
Government loans payable - current portion	1,319	4,596
Loan from shareholders	1,979,377	1,788,677
Total current liabilities	2,918,475	2,450,456
NONCURRENT LIABILITIES		
Operating lease liabilities	806,619	938,409
Government loans payable	56,093	53,120
Total non-current liabilities	862,712	991,529
Liabilities classified as held for sale	-	976,889
TOTAL LIABILITIES	**3,781,187**	**4,418,874**
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock $0.0001 par value; authorized shares 10,000,000, no shares issued and outstanding as of March 31, 2024 and December 31, 2023	-	-
Common stock $0.0001 par value; authorized shares 100,000,000; issued and outstanding shares 38,009,000 as of March 31, 2024 and December 31, 2023	3,801	3,801
Additional paid in capital	7,476,379	7,476,379
Accumulated deficit	(9,006,535)	(9,140,474)

TOTAL STOCKHOLDERS' DEFICIT	(1,526,355)	(1,660,294)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 2,254,832**	**$ 2,758,580**

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

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

	THREE MONTHS ENDED MARCH 31,	
	2024	**2023**
	(RESTATED)	
Revenues	$ -	$ -
Sales of goods	-	-
Manufacture service revenue	-	-
Total revenues	-	-
Cost of revenues	-	-
Cost of goods sold	-	-
Cost of manufacture service		-
Total cost of revenues	-	-
Gross profit	-	-
Operating expenses		
General and administrative	151,828	24,310
Total operating expenses	151,828	24,310
Loss from operations	(151,828)	(24,310)
Other income (expenses)		
Interest expense	(542)	(554)
Other income	32,500	1,800
Other expenses	(3,116)	-
Other income, net	28,842	1,246
Loss before income taxes	(122,986)	(23,064)
Income tax expense	-	-
Net loss from continuing operations	(122,986)	(23,064)
Loss from discontinued operations	(120,827)	(155,772)
Gain from disposal of discontinued operations	377,752	-
Net income (loss)	**$ 133,939**	**$ (178,836)**
Basic and diluted weighted average shares outstanding	38,009,000	33,009,000
Basic and diluted net loss per share	**$ 0.00**	**$ (0.01)**

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

BIO ESSENCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
THREE MONTHS ENDED MARCH 31, 2024 (RESTATED) AND 2023
(UNAUDITED)

	COMMON STOCK - SHARES	COMMON STOCK - AMOUNT	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance at January 1, 2024	38,009,000	$ 3,801	$ 7,476,379	$ (9,140,474)	$ (1,660,294)
Net income for the period	-	-	-	133,939	133,939
Balance at March 31, 2024 (Restated)	38,009,000	$ 3,801	$ 7,476,379	$ (9,006,535)	$ (1,526,355)
Balance at January 1, 2023	33,009,000	$ 3,301	$ 4,926,879	$ (8,168,595)	$ (3,238,415)
Net loss for the period	-	-	-	(178,836)	(178,836)
Balance at March 31, 2023	33,009,000	$ 3,301	$ 4,926,879	$ (8,347,431)	$ (3,417,251)

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

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

	THREE MONTHS ENDED MARCH 31,	
	2024	2023
	(RESTATED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss Net income (loss) from continuing operations (include gain on disposal of subsidiary)	$ 254,766	$ (23,064)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	497	2,480
Operating lease expense	131,205	-
Loss on disposal of fixed assets	3,012	-
Gain on disposal of subsidiary	(377,752)	-
Increase (decrease) in assets: Changes in assets / liabilities:		
Other receivable	(197,295)	-
Accounts payable	554	(12,544)
Accrued liabilities and other payables	197,295	(1,800)
Accrued interest	(18)	(17)
Payment on lease liabilities	(47,100)	-
Net cash used in continuing operations	(34,836)	(34,945)
Net cash used in discontinued operations	(136,777)	(196,778)
Net cash used in operating activities	(171,613)	(231,723)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	(9,436)	765
Repayment of government loans	(305)	(293)
Loan from shareholder	190,700	215,611
Net cash provided by continuing operations	180,959	216,083
Net cash used in (provided by) discontinued operations	(9,323)	9,505
Net cash provided by financing activities	171,636	225,588
NET DECREASE IN CASH & EQUIVALENTS	23	(6,135)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	-	6,262
CASH & EQUIVALENTS, END OF PERIOD	$ 23	$ 127
Supplemental Cash Flow Data:		
Income tax paid	$ -	$ -
Interest paid	$ 4,696	$ 5,883

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

BIO ESSENCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 (RESTATED) (UNAUDITED) AND DECEMBER 31, 2023

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. McBE has not engaged in any operations since its inception. On December 12, 2023, the Company entered into an agreement with Newways Inc. to sell the 100% equity ownership of BEP for $300,000. On March 28, 2024, the Company entered into an agreement with Health Up Inc. to sell the 100% equity ownership of BEH for $400,000. On April 15, 2024, the Company dissolved McBE.

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, BEH (up to disposal date), and McBE (up to dissolution date). All significant inter-company transactions and balances were eliminated in consolidation.

Reclassification

Certain prior period accounts have been reclassified in conformity with the 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 $122,986 and $23,064 from the company's continuing operations for the three months ended March 31, 2024 and 2023, respectively. The Company also had an accumulated deficit of $9,006,535 from the company's continuing operations as of March 31, 2024. 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 March 31, 2024 and December 31, 2023.

Cash and Equivalents

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

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of March 31, 2024 and December 31, 2023, the bad debt allowance was $nil and $nil, respectively. As of December 31, 2023, the bad debt allowance from discontinued operation (BEH) was $2,252.

Inventory

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

Property and Equipment

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

Leasehold improvements	7-10 years
Office furniture	5 years

Impairment of Long-Lived Assets

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

Recoverability of long-lived assets to be held and used is measured by comparing of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by it. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value ("FV"). FV is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. Based on its review, the Company believes that, as of March 31, 2024 and December 31, 2023, there was no significant impairments of its long-lived assets.

Income Taxes

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

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

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

At March 31, 2024 and December 31, 2023, the Company did not take any uncertain positions that would necessitate recording a tax related liability. The Company files a U.S. income tax return. With few exceptions, the Company's U.S. income tax return filed for the years ending on December 31, 2019 and thereafter are subject to examination by the relevant taxing authorities.

The Company accounts for income taxes in interim periods in accordance with FASB ASC 740-270, "Interim Reporting." The Company has determined an estimated annual effective tax rate. The rate will be revised, if necessary, as of the end of each successive interim period during the Company's fiscal year to its best current estimate. The estimated annual effective tax rate is applied to the year-to-date ordinary income (or loss) at the end of the interim period.

Revenue Recognition

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

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

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

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

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

The Company's return policy allows for the return of damaged or defective products and shipment errors. A notice of damage or wrong items should make within five days from receiving the goods, and actual return of the products must be completed within 30 days from the date of receiving the goods. Delayed notification for damaged or wrong products will not be accepted for return or exchange. Custom formulas and capsules are not returnable. The amount for return of products was immaterial for the three months ended March 31, 2024 and 2023.

Cost of Revenue

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

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

Shipping and Handling Costs

Shipping and handling costs related to delivery of finished goods are included in selling expenses. During the three months ended March 31, 2024 and 2023, shipping and handling costs from continuing operations were $nil and $nil, respectively.

During the three months ended March 31, 2024 and 2023, shipping and handling costs were from discontinued operations amounted $8,009 and $9,416, respectively.

Advertising

Advertising expenses consist primarily of costs of promotion and marketing for the Company's image and products, and costs of direct advertising, and are included in selling expenses. The Company expenses all advertising costs as incurred. During the three months ended March 31, 2024 and 2023, advertising expenses from continuing operations were $nil and $nil, respectively. During the three months ended March 31, 2024 and 2023, advertising expenses from discontinued operations were $1,228 and $5,400, respectively.

Fair Value ("FV") of Financial Instruments

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

Fair Value Measurements and Disclosures

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

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

instrument.

- Level 3 inputs to the valuation methodology are unobservable and significant to the FV measurement.

As of March 31, 2024 and December 31, 2023, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at FV. The carrying value of cash, accounts receivable, prepaid expenses, advances to suppliers, accounts payable, taxes payable, other payables and accrued liabilities approximate estimated fair values because of their short maturities.

Share-based Compensation

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

Earnings (Loss) per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares pertaining to warrants, stock options, and similar instruments had been issued and if the additional common shares were dilutive. Diluted EPS are based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding unvested restricted stock, options and warrants, and the if-converted method for the outstanding convertible instruments. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, outstanding convertible instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later). There were no potentially dilutive securities outstanding (options and warrants) for the three months ended March 31, 2024 and 2023.

Concentration of Credit Risk

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

For the three months ended March 31, 2024, the company had no major customer accounted for 10% of the Company's total sales. For the three months ended March 31, 2023, the company had one major customer accounted for 34% of the Company's total sales.

For the three months ended March 31, 2024, the Company had no major vendors accounted for 10% of the Company's total purchases. For the three months ended March 31, 2023, the Company had three major vendors accounted for 22%, 20% and 17%, respectively, of the Company's total purchases.

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 November 2023, the FASB issued ASU 2023-07, the amendments in the ASU are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable "investors to better understand an entity's overall performance" and assess "potential future cash flows." The amendments in ASU 2023-07 are effective for all public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company's management does not believe the adoption of ASU 2023-09 will have a material impact on its financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company's management does not believe the adoption of ASU 2023-09 will have a material impact on its financial statements and disclosures.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's consolidated financial position, statements of comprehensive income and cash flows.

3. DISCONTINUED OPERATIONS

On December 12, 2023, the Company entered into a Stock Purchase Agreement ("SPA") with Newways, Inc., a California corporation ("Newways") whereby the Company agreed to sell to Newways its wholly owned subsidiary, BEP, in exchange for cash consideration of $300,000. The transaction was closed on December 31, 2023. The Company recorded $67,451 gain on disposal of the subsidiary, which was the difference between the selling price of $300,000 and the carrying value of the net assets of $232,549 of the disposal entity. The following table summarizes the carrying value of the assets and liabilities of BEP at December 31, 2023.

	AS OF DECEMBER 31, 2023
ASSETS	
CURRENT ASSETS	
Accounts receivable, net	$ 143,164
Other receivable	710,084
Prepaid expenses	7,288
Advance to suppliers	-
Inventory, net	5,266
Total current assets	865,802
NONCURRENT ASSETS	
Property and equipment, net	208,241
Intangible assets, net	-
Total non-current assets	208,241
TOTAL ASSETS	**$ 1,074,043**
LIABILITIES	
CURRENT LIABILITIES	
Bank overdraft	$ 7,806
Accounts payable	27,884
Taxes payable	9,993
Accrued liabilities and other payables	727,657
Accrued interest on government loans	592
Finance lease liabilities	11,003
Loan payables	10,340
Total current liabilities	795,275
NONCURRENT LIABILITIES	
Finance lease liabilities	24,643
Loan payables	15,221
Government loans payable	6,355
Total non-current liabilities	46,219
TOTAL LIABILITIES	**$ 841,494**
Net Assets	**$ 232,549**
Consideration	**300,000**
Gain on disposal	**$ 67,451**

On March 28, 2024, the Company entered into a Stock Purchase Agreement ("SPA") with Health Up Inc., a California corporation ("HUT"), whereby the Company agreed to sell to HUT its wholly owned subsidiary, BEH, in exchange for cash consideration of $400,000. The transaction was closed on April 1, 2024. The Company recorded $377,752 gain on disposal of the subsidiary, which was the difference between the selling price of $400,000 and the carrying value of the net assets of $22,248 of the disposal entity. The following table summarizes the carrying value of the assets and liabilities of BEH at March 31, 2024.

	AS OF MARCH 31, 2024
ASSETS	
CURRENT ASSETS	
Cash and equivalents	$ 114
Accounts receivable, net	43,164
Other receivables	877,749
Prepaid expenses	52,419
Security deposit	5,364
Inventory, net	184,590
Total current assets	1,163,400
NONCURRENT ASSETS	
Property and equipment, net	92,274
Right-of-use assets, net	112,213
Total non-current assets	204,487
TOTAL ASSETS	$ 1,367,887
LIABILITIES	
CURRENT LIABILITIES	
Bank overdraft	$ 2,532
Accounts payable	183,170
Taxes payable	14,515
Accrued liabilities and other payables	841,390
Accrued interest on government loans	13,603
Finance lease liabilities	2,694
Operating Lease liability	50,331
Loan from officer	29,000
Total current liabilities	1,137,235
NONCURRENT LIABILITIES	
Finance lease liabilities	695
Operating Lease liability	61,996
Government loans payable	145,714
Total non-current liabilities	208,405
TOTAL LIABILITIES	$ 1,345,640
Net Assets	$ 22,248
Consolidation	400,000
Gain on disposal	$ 377,752

The operations of BEP and BEH was accounted for as discontinued operations in the accompanying consolidated financial statements for all periods presented. The following table presents the components of discontinued operations reported in the consolidated statements of operations:

	For the three months ended March 31,	
	2024	2023
Revenue, Net	$ 153,865	$ 341,329
Cost of Revenues	76,592	173,299
Gross Profit	77,273	168,030
Operating Expenses	192,652	317,904
Loss from Operations	(115,379)	(149,874)
Other Income (Expenses)		
Interest expense	(4,154)	(5,270)
Financial expense	-	(976)
Other income (expenses)	(1,294)	348
Total Other Expenses	(5,448)	(5,898)
Loss Before Income Taxes	(120,827)	(155,772)
Income Tax Expense	-	-
Net Loss from Discontinued Operations	$ (120,827)	$ (155,772)

4. RECEIVABLE DUE FROM DISPOSAL OF DISCONTINUED OPERATIONS

As of March 31, 2024 and December 31, 2023, receivable due from disposal of discontinued operations was $700,000 and $300,000, respectively. Receivable due from disposal of discontinued operations mainly consisted of receivables from disposal of subsidiaries BEH and BEP.

5. OTHER RECEIVABLES

As of March 31, 2024 and December 31, 2023, other receivable was $197,294 and $0, respectively. Other receivables mainly consisted of receivables from disposal of subsidiaries BEH and BEP.

As of December 31, 2023, other receivables from discontinued operation (BEH) was $877,749, respectively.

6. INVENTORY

Inventory from the company’s continuing operations was $nil and $nil at March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, the total inventory from discontinued operation was $184,590 and $148,525, respectively.

7. SECURITY DEPOSIT

As of March 31, 2024 and December 31, 2023, the security deposit from the company’s continuing operations was for rent of the Company’s warehouse of $52,545 and $52,545, respectively. The Company made a deposit of $50,000 for a new lease that was effective on September 1, 2023. As of March 31, 2024 and December 31, 2023, the security deposit from the company’s discontinued operations was for rent of the Company’s office of $5,364 and $41,841, respectively.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment from the company's continuing operations consisted of the following at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Leasehold improvements	$ -	$ 3,614
Office furniture and equipment	56,505	56,505
Total	56,505	60,119
Less: accumulated depreciation	(56,267)	(56,431)
Net	$ 238	$ 3,688

Depreciation expense for the three Months ended March 31, 2024 and 2023 from the company's continuing operations was $439 and $2,421, respectively.

As of December 31, 2023, the net total property and equipment from discontinued operation (BEH) was $94,454, respectively.

9. INTANGIBLE ASSETS, NET

Intangible assets from the company's continuing operations consisted of the following as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Computer Software	$ 36,928	$ 36,928
Trademark	2,350	2,350
Total	39,278	39,278
Less: accumulated amortization	(38,769)	(38,711)
Net	$ 509	$ 567

Amortization of intangible assets from the company's continuing operations was $58 and $58 for the three months ended March 31, 2024 and 2023, respectively.

Estimated amortization for the existing intangible assets with finite lives from the company's continuing operations for each of the next five years at March 31, 2024 is as follows: $232, $232 and $45.

10. ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables from the company's continuing operations consisted of the payables to BEP and BEH of $334,997 and $137,700, respectively, at June 30, 2024 and December 31, 2023, as a result of disposal of BEP and BEH.

As of December 31, 2023, the total accrued expenses and other payables from discontinued operation (BEH) was $833,911, respectively.

11. GOVERNMENT LOANS PAYABLE

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

deferment period to allow small businesses and not-for-profits that received EIDL funds do not have to begin payments on the loan until 30 months after the date of the note. Accordingly, the company began to make installment payments in the fourth quarter 2022.

As of March 31, 2024, the future minimum EIDL loan payments from the company's continuing operations to be paid by year are as follows:

Year Ending	Amount
March 31, 2025	$ 1,319
March 31, 2026	1,369
March 31, 2027	1,422
March 31, 2028	1,476
March 31, 2029	1,532
Thereafter	50,294
Total	$ 57,412

12. RELATED PARTY TRANSACTIONS

Loans from Shareholder

At March 31, 2024 and December 31, 2023, the Company had loans from one major shareholder (also the Company's senior officer) for $1,370,746 and $1,180,046, respectively. At March 31, 2024 and December 31, 2023, 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.

13. INCOME TAXES

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

At March 31, 2024 and December 31, 2023, 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 $2.01 million and $2.27 million at March 31, 2024 and December 31, 2023, 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 $0.63 million as of March 31, 2024, 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 from the company's continuing operations as of March 31, 2024 and December 31, 2023 are as follows:

	March 31, 2024	December 31, 2023
Net deferred tax assets (liability):		
Depreciation and amortization expense	$ 477	$ 477
Expected income tax benefit from NOL carry-forwards	563,133	634,425
Less: valuation allowance	(563,610)	(634,902)
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 from the company's continuing operations for the three months ended March 31, 2024 and 2023 is as follows:

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

The provision for income tax expense for the continuing operations for the three months ended March 31, 2024 and 2023 consisted of the following:

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

14. LEASES

Operating Leases

Warehouse and office lease

Effective October 1, 2018, the Company entered a 62.5 month 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. On February 29, the Management moved out from the facilities and decided to seek early termination of this lease. As of March 31, 2024, $1,304,223 right-of-use assets, net and $1,394,037 total lease liabilities recorded were associated with the lease.

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:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating lease cost	$ 131,205	$ -
Weighted Average Remaining Lease Term - Operating leases including options to renew	-	-
Weighted Average Discount Rate - Operating leases	5%	5%

Finance lease (discontinued operations)

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 leases were disposed as a result of disposal of BEP on December 31, 2023 and disposal of BEH on March 31, 2024.

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Finance lease cost		
Amortization	$ 653	$ 3,189
Interest on lease liabilities	48	645
Total finance lease cost	$ 701	$ 3,834
Weighted Average Remaining Lease Term - Finance leases	-	3.78
Weighted Average Discount Rate – Finance leases	5%	5%

15. LOAN PAYABLES

In June 2021, BEP, the discontinued entity 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, BEP 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 $3,524 and $4,899 during the years ended December 31, 2023 and 2022, respectively. The loan was disposed as a result of disposal of BEP on December 31, 2023.

16. RESTATEMENT

During the preparation of this interim report, the Company determined that it had not appropriately accounted for certain historical transactions under US GAAP. In accordance with Staff Accounting Bulletin ("SAB") 99, Materiality, and SAB 108, Considering the Effects of Prior Period Misstatements when Quantifying Misstatements in Current Period Financial Statements, the Company evaluated the materiality of the errors from qualitative and quantitative perspectives, individually and in aggregate, and concluded that the errors were material to the Consolidated Statements of Operations for the quarter ending March 31, 2024. The Company has restated the impacted financial statements for the period, and presented the effects of the restatement adjustments to the statement below.

The restatement included 1) reclassification of $700,000 from other receivables to receivable from sale of subsidiaries BEH and BEP, 2) net off BEC's other receivables and other payables with same party BEP of $246,701, 3) record the ROU and lease liabilities of early-terminated lease by the Company (tenant) that was previously written off, due to early-terminated lease has not been approved by the landlord yet.

The following table presents the effects of the restatement on the accompanying consolidated balance sheet at March 31, 2024:

	As Previous Reported	Adjustment	As Restated
Receivable from sales of subsidiaries	$ -	$ 700,000	$ 700,000
Other receivables	650,593	(453,299)	197,294
Right-of-use assets, net	-	1,304,223	1,304,223
TOTAL ASSETS	$ 703,908	$ 1,550,924	$ 2,254,832
Accrued liabilities and other payables	$ 88,296	$ 246,701	$ 334,997
Accrued interest on government loans	2,359	-	2,359
Operating lease liabilities	-	587,417	587,417
Operating lease liabilities	-	806,619	806,619
TOTAL LIABILITIES	2,140,450	1,640,737	3,781,187
Accumulated deficit	(8,916,722)	(89,813)	(9,006,535)
TOTAL STOCKHOLDERS' DEFICIT	(1,436,542)	(89,813)	(1,526,355)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 703,908	$ 1,550,924	$ 2,254,832

The following table presents the effects of the restatement on the accompanying consolidated statement of income for the three months ended March 31, 2024:

	As Previous Reported	Adjustment	As Restated
Operating expenses			
General and administrative	$ 62,015	$ 89,813	$ 151,828
Total operating expenses	62,015	89,813	151,828
Loss from operations	(62,015)	(89,813)	(151,828)
Loss before income taxes	(33,173)	(89,813)	(122,986)
Net loss from continuing operations	(33,173)	(89,813)	(122,986)
Net income	$ 223,752	(89,813)	$ 133,939
Basic and diluted weighted average shares outstanding	38,009,000		38,009,000
Basic and diluted net income per share	$ 0.01		$ 0.00

The following table presents the effects of the restatement on the accompanying consolidated statement of cash flows for the three months ended March 31, 2024:

	As Previous Reported	Adjustment	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) from continuing operations (Including gain on disposal of subsidiary $377,752)	$ 344,579	$ (89,813)	$ 254,766
Operating lease expense	41,391	89,813	131,204
Net cash used in operating activities	(171,613)	-	(171,613)

17. 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. On December 12, 2023, the Company entered into an agreement with Newway Inc to sell the 100% equity ownership of BEP for $300,000. On March 28, 2024, the Company entered into an agreement with Health Up Inc to sell the 100% equity ownership of BEH for $400,000. On April 15, 2024, the Company dissolved McBE.

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

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

Related Party Transactions

Loans from Officer

At March 31, 2024 and December 31, 2023, the Company had loans from one major shareholder (also the Company's senior officer) of $1,370,746 and $1,180,046, respectively. At March 31, 2024 and December 31, 2023, 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 (up to disposal date). All significant inter-company transactions and balances were eliminated in consolidation.

Going Concern

The Company incurred net losses of $122,986 and $23,064 from the company's continuing operations for the three months ended March 31, 2024 and 2023, respectively. The Company also had an accumulated deficit of $9,006,535 from the company's continuing operations as of March 31, 2024. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company plans to increase its income by strengthening its sales force, providing attractive sales incentive programs, and increasing marketing and promotion activities. Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others. While the Company believes in the viability of its strategy to generate sufficient revenue and in its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

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

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

Accounts Receivable

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of March 31, 2024 and December 31, 2023, the bad debt allowance was $nil and $ nil, respectively. As of December 31, 2023, the bad debt allowance from discontinued operations (BEH) was $2,252, respectively.

Revenue Recognition

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

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

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

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

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

The Company's return policy allows for the return of damaged or defective products and shipment errors. A notice of damage or wrong items should make within five days from receiving the goods, and actual return of the products must be completed within 30 days from the date of receiving the goods. Delayed notification for damaged or wrong products will not be accepted for return or exchange. Custom formulas and capsules are not returnable. The amount for return of products was immaterial for the three months ended March 31, 2024 and 2023.

Results of operations

Comparison of Continuing operations for the three months ended March 31, 2024 and 2023

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.

	2024	% of Sales	2023	% of Sales	Dollar Increase (Decrease)	Percent Increase (Decrease)
Sales of goods	$ -	-%	$ -	-%	$ -	-%
Manufacture service revenue	-	-	-	-	-	-
Total revenues	-	-%	-	-%	-	-%
Cost of goods sold	-	-%	-	-%	-	%
Cost of manufacture service	-	-%	-	-%	-	-%
Total cost of revenues	-	-%	-	--%	-	%
Gross profit		%		%		%
Selling expenses	-	-%	-	-%	-	-%
General and administrative expenses	151,828	-%	24,310	-%	127,518	524.55%
Operating expenses	151,828	-%	24,310	-%	127,518	524.55%
Loss from operations	(151,828)	-%	(24,310)	-%	127,518	524.55%
Other income, net	28,842	-%	1,246	-%	27,596	2,214.77%
Loss before income taxes	(122,986)	-%	(23,064)	--%	99,922	433.24%
Income tax expense	-	-%	-	--0%	--	-%
Net loss from continuing operations	(122,986)	-%	(23,064)	-%	99,922	433.24%
Loss from discontinued operations	(120,827)	-%	(155,772)	-%	(34,945)	(22.43)%
Gain from disposal of discontinued operations	377,752	-%	-	-	377,752	-%
Net income (loss)	$ 133,939	-%	$ (178,836)	-%	$ 312,775	174.89%

Sales

Sales from the company's continuing operations for the three months ended March 31, 2024 and 2023 were $nil and $nil, respectively. Sales from the company's discontinued operations for the three months ended March 31, 2024 and 2023 were $153,865 and $341,329, respectively.

Costs of revenue

Costs of revenue from the company's continuing operations for the three months ended March 31, 2024 and 2023 was $nil and $nil, respectively. Costs of revenue from the company's discontinued operations for the three months ended March 31, 2024 and 2023 was $76,592 and $173,299, respectively.

Gross profit

For the factors mentioned above, the gross profit from the company's continuing operations for the three months ended March 31, 2024 and 2023 was $nil and $nil, respectively. The gross profit from the company's discontinued operations for the three months ended March 31, 2024 and 2023 was $77,273 and $168,030, respectively.

Operating expenses

Selling expenses consist mainly of advertising, show expense, products marketing, shipping expenses, and promotion expenses. Selling expense from the company's continuing operations was $nil for the three months ended March 31, 2024, compared to $nil for the three months ended March 31, 2023. Selling expense from the company's discontinued operations was $13,716 for the three months ended March 31, 2024, compared to $35,712 for the three months ended March 31, 2023.

General and administrative expenses consist mainly of employee salaries and welfare, business meeting, utilities, accounting, consulting, and legal expenses. General and administrative expenses from the company's continuing operations were $151,828 for the

three months ended March 31, 2024, compared to $24,310 for the three months ended March 31, 2023, an increase of $37,705 or 155.10%, the increase was mainly due to increased office rent and office CAM fee by $137,484, increased license and permits expense by $1,293, offset by decreased accounting fee by $11,000. General and administrative expense from the company's discontinued operations was $178,936 for the three months ended March 31, 2024, compared to $282,192 for the three months ended March 31, 2023.

Other income (expenses), net

Other income from the company's continuing operations was $28,842 and $1,246 for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024, other income mainly consisted of interest expense of $542, loss of $3,116 in disposal of fixed assets, offset by other income of $32,500. For the three months ended March 31, 2023, other expenses mainly consisted of interest expense of $554 and net other income of $1,800. Other expenses from the company's discontinued operations was $5,448 for the three months ended March 31, 2024, compared to $5,898 for the three months ended March 31, 2023.

Net loss from continuing operations

We had a net loss of $122,986 from the company's continuing operations for the three months ended March 31, 2024, compared to $23,064 for the three months ended March 31, 2023, an increase of $99,922 or 433.24%, reflected the above-mentioned factors combined.

Net income (loss)

We had net income of $133,939 for the three months ended March 31, 2024 including net gain of $256,925 from discontinued operations, compared to net loss of $178,836 for the three months end ended March 31, 2023.

Liquidity and Capital Resources

As of March 31, 2024, from the company's continuing operations, we had cash and equivalents of $23, other current assets of $897,317, other current liabilities of $2,918,475, working capital deficit of $2,021,158, a current ratio of 0.31:1. As of December 31, 2023, from the company's continuing operations, we had cash and equivalents of $nil, bank overdraft of $9,436, other current assets of $203,197, other current liabilities (excluding bank overdraft) of $2,344,217, working capital deficit of $2,150,456, a current ratio of 0.09:1.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2024, and 2023, respectively.

	2024	2023
Net cash used in operating activities for continuing operations	$ (34,836)	$ (34,945)
Net cash used in operating activities for discontinued operations	(136,777)	(196,778)
Net cash used in operating activities	(171,613)	(231,723)
Net cash used in investing activities for continuing operations	-	-
Net cash used in investing activities for discontinued operations	-	-
Net cash used in investing activities	-	-
Net cash provided by financing activities for continuing operations	180,959	216,083
Net cash provided by (used in) financing activities for discontinued operations	(9,323)	9,505
Net cash provided by financing activities	$ 171,636	$ 225,588

Net cash used in operating activities for continuing operations

Net cash used in operating activities *for continuing operations* was $34,836 for the three months ended March 31, 2024, compared to $34,945 in 2023. The decrease of cash outflow of $109 from operating activities for the three months ended March 31, 2024 was principally attributable to increased operating cash inflow before working capital changes by $32,311, decreased cash outflow on accounts payable by $13,098, decreased cash outflow on accrued liabilities and other payables by $199,095 which was partly offset by increased cash outflow on other receivable by $197,295, and increased cash outflow on payment of lease liabilities by $47,100.

Net cash provided by financing activities for continuing operations

Net cash provided by financing activities for continuing operations was $180,959 for the three months ended March 31, 2024, compared to $216,083 in 2023. The net cash provided by financing activities for three months ended March 31, 2024 mainly consisted of proceeds of $190,700 loan from one major shareholder (also the senior officer), partly offset by bank overdraft of $9,436, and

repayment of government loan of $305. The net cash provided by financing activities for the three months ended March 31, 2023 consisted of proceeds of $215,611 from loan from one major shareholder (also the senior officer) and increase in bank overdraft of $765, partly offset by repayment of government loans of $293.

Our current liabilities exceed current assets at March 31, 2024, and we incurred substantial losses and cash outflows from operating activities in the periods presented. We may have difficulty meeting upcoming cash requirements. As of March 31, 2024, our principal source of funds was loans from an officer (also is the Company's major shareholder). As of March 31, 2024, 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

Long-Term Debts

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 March 31, 2024, the future minimum EIDL loan payments from the company's continuing operations to be paid by year are as follows:

Year Ending	Amount (unaudited)
March 31, 2025	$ 1,319
March 31, 2026	1,369
March 31, 2027	1,422
March 31, 2028	1,476
March 31, 2029	1,532
Thereafter	50,294
Total	$ 57,412

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 concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC.

Report of Management

Our management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined in Exchange Act Rule 13a-15. Our ICFR is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Management conducted an assessment of our ICFR based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on the assessment, management concluded that, as of March 31, 2024, our ICFR were not effective at the reasonable assurance level based on those criteria. Management will continue to work to develop ICFR and controls over our reporting procedures.

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

Changes in Internal Controls over Financial Reporting

There were no changes in our ICFR identified in connection with our evaluation of these controls as of the end of the quarter ending on March 31, 2024, as covered by this report that has materially affected, or is reasonably likely to materially affect, our ICFR.

Inherent Limitations on Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ending on March 31, 2024 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 XBRL Instance Document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL 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: October 29, 2024

/s/ William E. Sluss

By: William E. Sluss
Its: Chief Financial Officer

Dated: October 29, 2024