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

FORM 10-Q

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

For the quarterly period ended March 31, 2025

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.)

2955 Main Street, Suite 300, 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.

TABLE OF CONTENTS

		PAGE
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Balance Sheets as of March 31, 2025 (Unaudited) and December 31, 2024	1
	Statements of Operations for three months ended March 31, 2025 and 2024 (Unaudited)	2
	Statements of Changes in Stockholders' Equity for three months ended March 31, 2025 and 2024 (Unaudited)	3
	Statements of Cash Flows for three months ended March 31, 2025 and 2024 (Unaudited)	4
	Notes to Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item 4.	Controls and Procedures	20
PART II	OTHER INFORMATION	22
Item 1.	Legal Proceedings	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	Mine Safety Disclosures	22
Item 5.	Other Information	22
Item 6.	Exhibits	22
	Signatures	23

PART I - FINANCIAL INFORMATION

Item 1. Financial Statement

BIO ESSENCE CORPORATION
BALANCE SHEETS

	As of March 31, 2025 (Unaudited)	As of December 31, 2024
ASSETS		
Current Assets		
Cash and equivalents	$ -	$ 1,371
Accounts receivable	8,191	5,124
Prepayment to vendors	157,959	69,959
Prepaid expenses and other receivables	197,294	202,238
Security deposits	2,000	2,000
Total Current Assets	365,444	280,692
Non-current Assets		
Intangible assets, net	274	332
Total Non-current Assets	274	332
Total Assets	**$ 365,718**	**$ 281,024**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Bank overdraft	$ 2,414	$ -
Accounts payable	24,109	17,738
Customer deposit	426,479	187,115
Accrued liabilities and other payables	344,419	338,136
Accrued interest on government loans	2,287	2,306
Operating lease liabilities - current	1,228,747	1,069,871
Government loans payable - current portion	1,369	1,357
Loan from shareholders	1,208,777	1,186,177
Total Current Liabilities	3,238,601	2,802,700
Non-current Liabilities		
Operating lease liabilities - non-current	247,164	392,290
Government loans payable	54,795	55,124
Total Non-current Liabilities	301,959	447,414
Total Liabilities	3,540,560	3,250,114
Commitment and contingencies		
Stockholders' Equity		
Preferred stock $0.0001 par value; authorized shares 10,000,000, no shares issued and outstanding as of March 31, 2025 and December 31, 2024	-	-
Common stock $0.0001 par value; authorized shares 100,000,000; issued and outstanding shares 38,009,000 as of March 31, 2025 and December 31, 2024	3,801	3,801
Paid in capital	7,476,379	7,476,379
Accumulated deficit	(10,655,022)	(10,449,270)

Total Stockholders' Equity	(3,174,842)	(2,969,090)
Total Liabilities and Stockholders' Equity	**$ 365,718**	**$ 281,024**

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

BIO ESSENCE CORPORATION
STATEMENTS OF OPERATIONS

	Three Months ended March 31,	
	2025	**2024 (Restated)**
Revenues		
Sales of goods		
Manufacture service revenue	$ 20,973	$ -
Shipping and Delivery Income	1,216	-
Total revenues	22,189	-
Cost of Goods Sold		
Sales of goods		
Cost of Goods manufacture	1,601	-
Total cost of revenues	1,601	-
Gross Profit	20,588	-
Operating Expenses		
Selling	543	-
General and administrative	225,137	151,828
Total operating Expenses	225,680	151,828
Loss from Operations	(205,092)	(151,828)
Other income (expenses)		
Interest expense	(543)	(542)
Other income	-	32,500
Other expenses	(117)	(3,116)
Other income (expenses), net	(660)	28,842
Loss before income tax	(205,752)	(122,986)
Income tax expense	-	-
Net loss from continuing operations	(205,752)	(122,986)
Loss from discontinued operations	-	(120,827)
Gain from disposal of discontinued operations	-	377,752
Net loss	**$ (205,752)**	**$ 133,939**
Basic weighted average shares outstanding	38,009,000	38,009,000
Basic and diluted net loss per share	$ (0.01)	$ 0.00

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

BIO ESSENCE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024 (RESTATED)
(UNAUDITED)

	Common Stock		Paid-in	Accumulated	Total Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
Balance at January 1, 2025	38,009,000	$ 3,801	$ 7,476,379	$ (10,449,270)	$ (2,969,090)
Net loss for the period	-	-	-	(205,752)	(205,752)
Balance at March 31, 2025	38,009,000	$ 3,801	$ 7,476,379	$ (10,655,022)	$ (3,174,842)

	Common Stock		Paid-in	Accumulated	Total Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
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)

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

BIO ESSENCE CORPORATION
STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2025	**2024 (Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) from continuing operations (include gain on disposal of subsidiary)	$ (205,752)	$ 254,766
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization expense	59	497
Loss on disposal of fixed assets	-	3,012
Gain from disposal of discontinued operations	-	(377,752)
Interest expense on operating lease	13,750	131,205
Changes in assets/liabilities:		
Accounts receivable	(3,067)	-
Prepaid expenses and other receivables	-	(197,295)
Prepayment and deposits	(83,056)	-
Accounts payable	6,369	554
Customer deposit	239,363	-
Tax payable	7,589	-
Accrued interest	(18)	(18)
Accrued liability and other payables	(1,306)	197,295
Payment of lease liability	-	(47,100)
Net cash used in operating activities from continuing operations	(26,069)	(34,836)
Net cash used in operating activities from discontinued operations	-	(136,777)
Net cash used in operating activities	(26,069)	(171,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank overdraft	2,414	(9,436)
Loan from shareholder	343,600	190,700
Repayment to shareholder	(321,000)	-
Repayment of SBA loan	(316)	(305)
Net cash provided by financing activities from continuing operations	24,698	180,959
Net cash used in financing activities from discontinued operations	-	(9,323)
Net cash provided by financing activities	24,698	171,636
NET INCREASE (DECREASE) IN CASH	(1,371)	23
CASH AT THE BEGINNING OF PERIOD	1,371	-
CASH AT THE END OF PERIOD	**$ -**	**$ 23**
Supplemental Cash flow data:		
Cash paid for interest	$ 543	$ 4,696
Cash paid for income taxes	$ -	$ -

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

BIO ESSENCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025 (UNAUDITED) AND DECEMBER 31, 2024

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 have been under common control since 2016. Bio Essence and FDS are mainly engaged in manufacturing and distributing health supplement products. 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.

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 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.

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 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, and should be read in conjunction with the audited financial statements and notes thereto contained in Bio Essence's Annual Report filed with the SEC on Form 10-K. The functional currency of Bio Essence is U.S. dollars ("$"). The accompanying financial statements are presented in U.S. dollars ("$"). The consolidated financial statements for the three months ended March 31, 2024, 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.

Going Concern

The Company incurred net loss of $205,752 and $122,986 from continuing operations for the three months ended March 31, 2025 and 2024, respectively. The Company also had an accumulated deficit of $10,655,022 as of March 31, 2025. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company disposed non-profitable subsidiaries BEH and BEP, and is actively seeking other business opportunities including expanding OEM business and looking for potential acquisition targets. Management also intends to raise 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 non-financial assets. The Company recognized $1,050,940 impairment loss of ROU assets during the year ended December 31, 2024.

Cash and Cash 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.

Credit Losses

On January1, 2023, the Company adopted Accounting Standards Update 2016-13 "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The adoption of the credit loss accounting standard has no material impact on the Company's consolidated financial statements as of January 1, 2023.

The Company's account receivables and other receivables in the balance sheet are within the scope of ASC Topic 326. As the Company has limited customers and debtors, the Company uses the loss-rate method to evaluate the expected credit losses on an individual basis. When establishing the loss rate, the Company makes an assessment on various factors, including historical experience, credit-worthiness of customers and debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

Expected credit losses are recorded as allowance for credit losses on the consolidated statements of operations. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. In the event the Company recovers amount that is previously reserved for, the Company will reduce the specific allowance for credit losses.

Accounts Receivable, Net

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, 2025 and December 31, 2024, there was no bad debt allowance.

Property and Equipment. Net

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, 2025 and December 31, 2024, there were no significant impairments of its long-lived assets except $1,050,940 impairment of ROU assets during 2024.

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, 2025 and December 31, 2024, 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, 2021 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 customers. 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 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 or OEM services are recognized when the manufacture process is completed pursuant to the customers' requirements and the manufactured goods are delivered to the customers. The Company currently outsources manufacture service after disposal of BEP in December 2023.

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, 2025 and 2024.

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/OEM consists primarily of direct labor costs and related overhead that are directly attributable to the manufacture process. However, the Company has been outsourcing manufacture service since disposal of BEP in December 2023.

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, 2025 and 2024, shipping and handling costs from continuing operations were $543 and $nil, respectively. During the three months ended March 31, 2024, shipping and handling costs from discontinued operations were $8,009.

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, 2025 and 2024, there was no advertising expenses from continuing operations incurred. During the three months ended March 31, 2024, advertising expenses from discontinued operations were $1,228.

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, 2025 and December 31,2024, 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, 2025 and 2024.

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, 2025, the Company had five major customers accounted for 28.71%, 22.53%, 20.62%, 14.64% and 10.91%, respectively, of the Company's total sales. For the three months ended March 31, 2024, no customer accounted for more than 10% of the Company's total sales.

For the three months ended March 31, 2025, the Company had one major vendor accounted for 100% of the Company's total manufacturing service. For the three months ended March 31,2024, the Company had no major vendors accounted for more than 10% of 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 / OEM and sale of health supplement products.

New Accounting Pronouncements

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.

On November 4, 2024, the FASB issued an ASU No. 2024-03, Disaggregation of Income Statement Expenses ("ASU 2024 03") to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions (such as cost of sales; selling, general, and administrative expenses; and research and development). The amendments in the ASU require disclosure in the notes to financial statements of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity: 1.Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil- and gas-producing activities (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e). 2. Include certain amounts that are already required to be disclosed under current generally accepted accounting principles in the same tabular disclosure as the other disaggregation requirements. 3. Disclose a qualitative description of the amounts remaining in relevant expense captions

that are not separately disaggregated quantitatively. 4) Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. In January 2025, the FASB issued ASU No. 2025-01, Clarifying the Effective Date ("ASU 2025-01"). The amendments, as clarified by ASU 2025-01, are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of the ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the impact that the adoption of ASU 2024-03 will have on its consolidated financial statement presentation or disclosures.

In January 2025, the FASB issued ASU 2025-01 Income Statement-Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40). The FASB issued ASU 2024-03 on November 4, 2024-03 states that the amendments are effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Following the issuance of ASU 2024-03, the FASB was asked to clarify the initial effective date for entities that do not have an annual reporting period that ends on December 31 (referred to as non-calendar year-end entities). Because of how the effective date guidance was written, a non-calendar year-end entity may have concluded that it would be required to initially adopt the disclosure requirements in ASU 2024-03 in an interim reporting period, rather than in annual reporting period. The FASB's intent in the basis for conclusions of ASU 2024-03 is clear that all public business entities should initially adopt the disclosure requirements in the first annual reporting period beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. The Company is currently evaluating the impact that the adoption of ASU 2025-01 will have on its consolidated financial statement presentation or 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

Disposal of BEH

On March 28, 2024, the Company entered into a Stock Purchase Agreement ("SPA") with Health Up Inc., a California corporation ("HUT"), an unrelated party 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
Property and equipment, net	92,274
ROU, Net	112,213
TOTAL ASSETS	$ 1,367,887
LIABILITIES AND STOCKHOLDERS' DEFICIT	
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
Finance lease liabilities	695
Operating lease liability	61,996
Government loans payable	145,714
TOTAL LIABILITIES	$ 1,345,640
Net Assets	22,248

Consideration	400,000
Gain on disposal	$ 377,752

The operations of 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
Revenue, Net	$ 153,865
Cost of Revenues	76,592
Gross Profit	77,273
Operating Expenses	192,652
Loss from Operations	(115,379)
Other Income (Expenses)	
Interest expense	(4,154)
Other income (expenses)	(1,294)
Total Other Income (Expenses)	(5,448)
Loss Before Income Taxes	(120,827)
Income Tax Expense	-
Net Loss from Discontinued Operations	$ (120,827)

4. PREPAID EXPENSE AND OTHER RECEIVABLES

As of March31, 2025 and December 31,2024, prepaid expense and other receivables were $197,294 and $202,238, respectively. Other receivables mainly consisted of outstanding receivables from BEH. On May 9, 2025, the Company collected the payment in full for other receivables from BEH.

5. SECURITY DEPOSIT

As of March 31, 2025 and December 31,2024, the security deposit primarily consisted of an office rent deposit of $2,000 under a one-year operating lease effective on June 1, 2024.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment from the company's continuing operations consisted of the following at March 31, 2025 and December 31,2024:

	March 31, 2025	December 31, 2024
Leasehold improvements	$ -	$
Office furniture and equipment	56,505	56,505
Total	56,505	56,505
Less: accumulated depreciation	(56,505)	(56,505)
Net	$ -	$ -

Depreciation expense for the three months ended March 31, 2025 and 2024 from the Company's continuing operations were $nil and $439, respectively.

7. INTANGIBLE ASSETS, NET

Intangible assets from the company's continuing operations consisted of the following as of March 31, 2025 and December 31,2024:

	March 31, 2025	December 31, 2024
Computer Software	$ 36,928	$ 36,928
Trademark	2,350	2,350
Total	39,278	39,278
Less: accumulated amortization	(39,004)	(38,946)
Net	$ 274	$ 332

Amortization of intangible assets from the company's continuing operations were $58 and $58 for the three months ended March 31, 2025and 2024, 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, 2025 is as follows: $232, $42, $nil, $nil and $nil.

8. ACCRUED LIABILITIES AND OTHER PAYABLES

As of March 31, 2025, accrued liabilities and other payables from the company's continuing operations consisted of 1) the payables to BEP of $256,741 and payables to BEH of $78,255, and 2) payroll and payroll tax payable of $9,423.

As of December 31, 2024, accrued liabilities and other payables from the company's continuing operations consisted of 1) the payables to BEP of $256,741 and payables to BEH of $78,255, and 2) payroll and payroll tax payable of $3,140.

9. 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, 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, 2025, 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, 2026	$ 1,369
March 31, 2027	1,422
March 31, 2028	1,476
March31, 2029	1,532
March 31, 2030	1,591
Thereafter	48,774
Total	$ 56,164

10. RELATED PARTY TRANSACTIONS

Loans from Shareholder

As of March 31, 2025, and December 2024, the Company held loans from one major shareholder (also the Company's senior officer) for $600,146 and $577,546, respectively. As of March 31, 2025 and December 31,2024, the Company held the 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.

11. INCOME TAXES

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

At March 31, 2025 and December 31,2024, 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.

The Company has NOL carry-forwards for Federal and California income tax purposes of $2.55 million and $2.35 million at March 31, 2025 and December 31,2024, 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 $0.72 million as of March 31, 2025, 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, 2025 and December 31,2024 are as follows:

	March 31, 2025	December 31, 2024
Net deferred tax assets (liability):		
Depreciation and amortization expense	$ 794	$ 794
Expected income tax benefit from NOL carry-forwards	716,018	658,441
Less: valuation allowance	(716,812)	(659,235)
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, 2025 and 2024 is as follows:

	2025	2024
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	-%	-%

12. LEASES

Operating Leases

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.

On May 18, 2023, the Company entered a 36-month 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. The $50,000 security deposit was not returned to the Company and the negotiation of early termination is still ongoing as of the reporting date. During 2024, the Company recorded the full impairment of ROU asset of $1.05 million and kept $1.46 million lease liabilities associated with this lease in the Company's consolidated financial statements due to uncertainty of the negotiation result with the landlord.

The components of lease costs for continuing operations, 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, 2025	Three Months Ended March 31, 2024
Operating lease cost	$ 13,750	$ 131,205
Weighted Average Remaining Lease Term - Operating leases including options to renew	-	-
Weighted Average Discount Rate - Operating leases	5%	5%

13. SUBSEQUENT EVENTS

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

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

Business Overview

The Company 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 Company is mainly engaged in selling the health supplements and providing OEM services. However, the Company currently outsources manufacture / OEM service after disposal of BEP in December 2023.

Related Party Transactions

Loans from Officer

As of March 31, 2025 and December 31, 2024, the Company had loans from one major shareholder (also the Company's senior officer) of $600,146 and $577,546, respectively. As of March 31, 2025 and December 31, 2024, the Company had loan from another major shareholder for $608,631 and $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, BEH (up to disposal date), and McBE (up to dissolution date). All significant inter-company transactions and balances were eliminated in consolidation.

Going Concern

The Company incurred net losses of $205,752 and $122,986 from the company's continuing operations for the three months ended March 31, 2025 and 2024, respectively. The Company also had an accumulated deficit of $10,655,022 from the company's continuing operations as of March 31, 2025. 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.

Credit Losses

On January1, 2023, the Company adopted Accounting Standards Update 2016-13 "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The adoption of the credit loss accounting standard has no material impact on the Company's consolidated financial statements as of January 1, 2023.

The Company's account receivables and other receivables in the balance sheet are within the scope of ASC Topic 326. As the Company has limited customers and debtors, the Company uses the loss-rate method to evaluates the expected credit losses on an individual basis. When establishing the loss rate, the Company makes the assessment on various factors, including historical experience, credit-worthiness of customers and debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

Expected credit losses are recorded as allowance for credit losses on the consolidated statements of operations. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. In the event the Company recovers amount that is previously reserved for, the Company will reduce the specific allowance for credit losses.

Accounts Receivable, **Net**

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, 2025 and December 31, 2024, there was no bad debt allowance.

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, 2025 and 2024.

Results of operations

Comparison of continuing operations for the three months ended March 31, 2025 and 2024

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.

	2025	% of Sales	2024	% of Sales	Dollar Increase (Decrease)	Percent Increase (Decrease)
Sales of goods	$ -	-%	$ -	-%	$ -	-%
Manufacture service revenue	20,973	94.52%	-	-	20,973	100.00%
Shipping and delivery income	1,216	5.48%	-	-	1,216	100.00%
Total revenues	22,189	100.00%	-	-%	22,189	100.00%
Cost of goods sold	-	-%	-	-%	-	%
Cost of manufacture service	1,601	7.22%	-	-%	1,601	100.00%
Total cost of revenues	1,601	7.22%	-	-%	1,601	100.00%
Gross profit	20,588	92.78%	-	%	20,588	100.00%
Selling expenses	543	2.45%	-	-%	543	100.00%
General and administrative expenses	225,137	1,014.63%	151,828	-%	73,309	48.28%
Operating expenses	225,680	1,017.08%	151,828	-%	73,852	48.64%
Loss from operations	(205,092)	(924.30)%	(151,828)	-%	53,264	35.08%
Other income (expenses), net	(660)	(2.97)%	28,842	-%	(29,502)	(102.29)%
Loss before income taxes	(205,752)	(927.27)%	(122,986)	-%	82,766	67.30%
Income tax expense	-	-%	-	-%	-	-%
Net loss from continuing operations	(205,752)	(927.27)%	(122,986)	-%	82,766	67.30%
Loss from discontinued operations	-	-%	(120,827)	-%	(120,827)	(100.00)%
Gain from disposal of discontinued operations	-	-%	377,752	-	(377,752)	(100.00)%
Net income (loss)	$ (205,752)	(927.27)%	$ 133,939	-%	$ (339,691)	(253,62)%

Revenues

Revenues from the company's continuing operations for the three months ended March 31, 2025 and 2024 were $22,189 and $nil, respectively. We had $nil product sales, $20,973 OEM service revenue, and $1,216 shipping and delivery income for the three months ended March 31, 2025. Revenue from the company's discontinued operations for the three months ended March 31, 2025 and 2024 were $nil and $153,865, respectively.

Costs of revenues

Costs of revenues from the company's continuing operations for the three months ended March 31, 2025 and 2024 were $1,601 and $nil, respectively. We had $nil cost of sales for products and $1,601 cost for OEM service revenue for the three months ended March 31, 2025. Costs of revenues from the company's discontinued operations for the three months ended March 31, 2025 and 2024 were $nil and $76,592, respectively.

Gross profit

For the factors mentioned above, the gross profits from the company's continuing operations for the three months ended March 31, 2025 and 2024 were $20,588 and $nil, respectively. The gross profits from the company's discontinued operations for the three months ended March 31, 2025 and 2024 were $nil and $77,273, respectively.

Operating expenses

Selling expenses consisted mainly of advertising, show expenses, products marketing, shipping expenses, and promotion expenses. Selling expenses from the company's continuing operations for the three months ended March 31, 2025 and 2024 were $543 and $nil, respectively. Selling expense from the company's discontinued operations for the three months ended March 31, 2025 and 2024 were $nil and $13,716, respectively.

General and administrative expenses consisted 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 $225,137 for the three months ended March 31, 2025, compared to $151,828 for the three months ended March 31, 2024, an increase of $73,309 or 48.28%, the increase was mainly due to increased salary expense by $28,523, increased accounting fee by $23,500, increased consulting fee by $139,900, which was partly offset by decreased office rent by $117,736. General and administrative expenses from the company's discontinued operations was $nil and $192,652 for the three months ended March 31, 2025 and 2024, respectively.

Other income (expenses), net

Other expenses from the company's continuing operations was $660 and other income from the company's continuing operations was $28,842 for the three months ended March 31, 2025 and 2024, respectively. For the three months ended March 31, 2025, other expenses mainly consisted of interest expense of $543 and other expenses of $117. 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. Other expenses from the company's discontinued operations were $nil and $5,448 for the three months ended March 31, 2025 and 2024, respectively.

Net loss from continuing operations

We had a net loss of $205,752 from the company's continuing operations for the three months ended March 31, 2025, compared to $122,986 for the three months ended March 31, 2024, an increase of $82,766 or 67.30%.

Net loss from discontinued operations

We had net gain of $nil and $256,925 from the company's discontinued operations for the three months ended March 31, 2025 and 2024, respectively.

Liquidity and Capital Resources

As of March 31, 2025, from the company's continuing operations, we had cash and equivalents of $nil, other current assets of $365,444, other current liabilities of $3,238,601, working capital deficit of $2,873,157, a current ratio of 0.11:1. As of December 31, 2024, from the company's continuing operations, we had cash and equivalents of $1,371, other current assets of $279,321, other current liabilities of $2,802,700, working capital deficit of $2,522,008, a current ratio of 0.10:1.

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, 2025, and 2024, respectively.

	2025	2024
Net cash used in operating activities for continuing operations	$ (26,069)	$ (34,836)
Net cash used in operating activities for discontinued operations	-	(136,777)
Net cash used in operating activities	(26,069)	(171,613)
Net cash provided by investing activities for continuing operations	-	-
Net cash provided by investing activities for discontinued operations	-	-
Net cash provided by investing activities	-	-
Net cash provided by financing activities for continuing operations	24,698	180,959
Net cash used in financing activities for discontinued operations	-	(9,323)
Net cash provided by provided by financing activities	$ 24,698	$ 171,636

Net cash used in operating activities for continuing operations

Net cash used in operating activities for continuing operations was $26,069 for the three months ended March 31, 2025, compared to net cash used in operating activities for continuing operations of $34,836 for the three months ended March 31, 2024. The decrease of cash outflow of $8,767 from operating activities of continuing operations for the three months ended March 31, 2025 was principally attributable to decreased cash outflow of prepaid expenses and other receivables by $197,295, increased outstanding tax payable by $7,589, increased payment from customer deposit by $239,363, decreased payment of lease liability by $47,100, increased outstanding on accounts payable by $5,815 and change of adjustments to reconcile net loss to net cash provided by (used in) operating activities by $256,847; which was partly offset by increased net loss by $460,518, increased payment on prepayment and deposits by $83,056, increased payment on accrued liabilities and other payables by $198,601, and decreased payment collected from accounts receivables by $3,067.

Net cash provided by financing activities for continuing operations

Net cash provided by financing activities for continuing operations was $24,698 for the three months ended March 31, 2025, compared to net cash provided by financing activities for continuing operations of $180,959 for the three months ended March 31, 2024. The net cash provided by financing activities for the three months ended March 31, 2025 mainly consisted of proceeds of $343,600 loan from one major shareholder (also the senior officer) and increased bank overdraft of $2,414, partly offset by $321,000 loan repayment to one major shareholder (also the senior officer) and payment of government loan of $316. 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 decreased bank overdraft of $9,436, and repayment of government loan of $305.

Our current liabilities exceed current assets at March 31, 2025, and we incurred substantial losses. We may have difficulty meeting upcoming cash requirements. As of March 31, 2025, our principal source of funds was loans from an officer (also is the Company's major shareholder). As of March 31, 2025, 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, 2025, 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, 2026	$ 1,369
March 31, 2027	1,422
March 31, 2028	1,476
March 31, 2029	1,532
March 31, 2030	1,591
Thereafter	48,774
Total	$ 56,164

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 Officer, Yin Yan, and Chief Financial Officer, William Sluss, are responsible for establishing and maintaining disclosure controls and procedures for the Company.

Evaluation of Disclosure Controls and Procedures

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

and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

On March 31, 2025, 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 not 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. Ms. Yan and Mr. Sluss will continue to work on implementing controls and procedures to remedy this matter.

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, 2025, 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, 2025, 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, 2025 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: May 14, 2025

/s/ William E. Sluss

By: William E. Sluss
Its: Chief Financial Officer
Dated: May 14, 2025