

## **CHAPTER 2**

**Environment and Ecology Bureau  
Food and Environmental Hygiene Department**

**Licensing of food premises**

**Audit Commission  
Hong Kong  
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*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 81 of the Director of Audit contains 8 Chapters which are available on our website (<https://www.aud.gov.hk>).



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# LICENSING OF FOOD PREMISES

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# LICENSING OF FOOD PREMISES

## Executive Summary

1. The Food and Environmental Hygiene Department (FEHD) is the licensing authority of food premises and exercises control through its licensing regime, inspections and enforcement actions in accordance with the Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislations. Food businesses that are required to be licensed are classified into various types, such as general restaurant (use of any kind of cooking method for food preparation is allowed). FEHD also issues restricted food permits for sale of restricted foods (e.g. sushi and milk) including that for selling such foods online and permissions for outside seating accommodation (OSA) for open area used for alfresco dining business. As at 31 March 2023, there were 34,640 valid food business licences, 11,071 valid restricted food permits and 403 valid OSA permissions. The Environmental Hygiene Branch of FEHD is responsible for the licensing and regulatory control of food premises, under which the 3 Regional Licensing Offices (RLOs) are mainly responsible for processing applications for new food business licences and online sale of restricted food permits, and the 19 District Environmental Hygiene Offices (DEHOs) are mainly responsible for conducting inspections of licensed and unlicensed food premises and enforcing the Ordinance, and processing applications for other restricted food permits, and renewal and transfer of licences/permits. In 2022-23, the expenditure of the FEHD offices responsible for the work in licensing and regulatory control of food premises, among other duties, amounted to about \$497 million.

2. According to FEHD, the purpose of licensing food premises is to ensure that the premises are suitable for operating the food businesses, to safeguard public health and food safety, and to ensure the safety of patrons. Food business licences are only issued to food premises if they conform to the prescribed safety and hygiene standards laid down by the law, and comply with the government lease conditions, statutory plan restrictions and relevant licensing requirements. In 2022, FEHD received 10,227 applications for new food business licences and permits. FEHD mainly uses two information technology systems to support its work on licensing and regulatory control of food premises, namely the Licensing Management Information System (LMIS) that facilitates the processing of applications and administration of food business licences/permits issued, and provides statistical reports for management purposes, and the Online Licence Application Tracking Facility (ATF) that facilitates

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applicants of food business licences to check the status of their applications through the Internet. The Audit Commission (Audit) has recently conducted a review of the work of FEHD on the licensing and regulatory control of food premises. The findings are contained in this Audit Report and another one titled “Regulatory control of food premises” (Chapter 6 of the Director of Audit’s Report No. 81).

### **Processing of applications for new food business licences and permits**

3. *Need to ensure that timeframes set for referrals of applications and processing revised layout plans are met.* In deciding the suitability of premises for food businesses for processing applications for food business licences/permits, FEHD will refer applications for food business licences to other relevant government bureaux/departments (B/Ds) for comments, e.g. the Buildings Department (BD) on building safety, the Fire Services Department (FSD) on fire safety and ventilation plan requirements and the Planning Department on compliance with statutory plan restrictions, etc. RLOs will also refer applications to DEHOs for comments in respect of the premises concerned. According to FEHD, the processing time for an application was mainly contingent upon the progress of the applicant’s compliance with the relevant licensing requirements, whether there were any revisions to the applications, and the time taken by other relevant B/Ds in providing comments to FEHD during the application process. The processing times from 2020 to 2022 were also affected by the coronavirus disease (COVID-19) epidemic during which both FEHD and the applicants faced difficulties in arranging compliance inspections or physical works. FEHD has stipulated in its guidelines and/or referral memoranda the timeframes for RLOs for referring the applications to other relevant B/Ds and DEHOs, as well as for the B/Ds and DEHOs for providing comments on the applications. Audit examined 50 applications for new food business licences received in 2021 and 2022 with long processing time (including 30 applications for restaurant licences and 20 applications for non-restaurant licences) and noted that:

- (a) the time taken in making the referrals to other relevant B/Ds and DEHOs had exceeded the stipulated timeframes. For example, for the 30 applications for restaurant licences, out of a total of 89 first referrals to other relevant B/Ds, the time taken in making 35 (39%) referrals had exceeded the stipulated timeframe (i.e. 3 working days) by 1 to 6 working days (averaging 2 working days); and



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- (b) the applicants of the 50 applications made revisions to layout plans for 569 times, ranging from 3 to 37 times for each application (averaging 11 times). On 61 (11%) occasions, the processing of the revised plans was not completed within the specified timeframe. The delay ranged from 1 to 173 working days (averaging 17 working days) (paras. 1.11, 2.4, 2.7 to 2.10 and 2.37).

4. ***Need to take measures to ensure that comments are received timely for referred applications.*** There were delays in receiving comments from the relevant B/Ds and DEHOs for the 50 applications examined. For example, for first referrals to other relevant B/Ds, there were delays in 28 (31%) of the 89 referrals for restaurant licences and 15 (35%) of the 43 referrals for non-restaurant licences, ranging from 1 to 128 working days (averaging 19 working days). Upon enquiries with other relevant B/Ds, Audit was informed that the reasons for the delays in providing the comments to FEHD included the following:

- (a) ***Time lags in receiving referrals from and sending comments to FEHD.*** There were time lags between the dates of memoranda from FEHD and dates of receipt by other relevant B/Ds and vice versa. In some cases, FEHD did not receive the memoranda by the relevant B/Ds for the comments provided, or the relevant B/Ds did not receive FEHD's referral memoranda and were only made aware of the referrals upon receiving FEHD's reminders. On the other hand, FSD indicated that while FEHD had set a timeframe for FSD to provide comments (i.e. before the date of Application Vetting Panel (AVP) meeting (see para. 5) which was arranged within 20 working days of acceptance of application), FEHD had not taken into account the time that FSD would require for handling the cases, and the periods between the dates of FEHD's memoranda and the dates of AVP meetings varied among the referred cases;
- (b) ***Scope for improving referral mechanism.*** In one case, while the referral protocols state that applications for food factory licences with meat and pig roasting, and food premises installed with chimneys would be referred to the Environmental Protection Department, an application for a fresh provision shop licence without these features was referred to the department;
- (c) ***Time taken for clarifications and arrangement for inspections with applicants.*** The delays were partly due to the need of other relevant B/Ds to seek clarifications and/or additional information from the applicants,

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and/or to arrange site inspections with the applicants, the timing of which was dependent on the availability of the applicants and the readiness of the premises for inspections. This process had been further delayed amid the COVID-19 epidemic; and

- (d) ***Impact of the COVID-19 epidemic.*** In 2021 and 2022, the time taken for providing comments on the referred applications was affected by the COVID-19 epidemic, during which there were special work arrangements, and deployment of staff to anti-epidemic operations. B/Ds had to prioritise their work and resulted in the longer time required to provide comments to FEHD.

While noting other relevant B/Ds' explanations, Audit noted that there was scope for improving the timeliness in providing comments by the B/Ds for processing food business licence applications (paras. 2.12, 2.13, 2.15 and 2.16).

5. ***Need to review AVP meeting arrangements.*** According to FEHD, an AVP meeting facilitates the applicant and/or his/her representative to understand the licensing requirements and conditions. Representatives from FEHD, BD and FSD will discuss with the applicant any problems identified and remedies required. It will be arranged within 20 working days of acceptance of the application. Audit examination revealed areas for improvement, including:

- (a) for the period 2018 to 2022, AVP meetings had been scheduled for 8,945 applications. However, only 75 (0.8%) meetings scheduled were convened;
- (b) Audit examination of 30 restaurant licence applications found that all the 30 AVP meetings scheduled were not convened, and there was no rescheduling of the meetings. According to FEHD, the meetings were not convened because the applicants did not attend the meetings; and
- (c) after all other relevant B/Ds have confirmed that the premises are suitable for licensing, FEHD will issue a letter of requirements (LOR) listing out the licensing requirements for issue of licence to the applicant at the AVP meeting. For all the 30 restaurant licence applications examined, LORs were dated after the scheduled AVP meetings (i.e. not available for issue at the scheduled meetings), ranging from 1 to 188 working days (averaging 52 working days) (paras. 2.16, 2.17 and 2.19).

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6. ***Need to ensure that inspections to food premises are conducted in accordance with specified timeframes.*** Officers of FEHD conduct inspections to ensure that the premises are suitable for operating food businesses, namely first site inspections, progress inspections and final verification inspections. The timeframes for conducting inspections are stipulated in FEHD's guidelines. Audit examination of the 50 applications found that inspections were not always conducted according to the specified timeframes. For example, while first site inspection for restaurant licence applications should be conducted before AVP meetings, there were delays in 4 (13%) of the 30 applications, ranging from 11 to 81 working days. In addition, progress inspections were not conducted for some applications (paras. 2.25 and 2.26).

7. ***Need to improve reporting of processing time for new food business licences.*** According to FEHD, the processing time represents the number of working days from the date of first receipt of the application to the date of approval for issue of a full licence. In 2022, the average processing time for issuing different types of new full food business licences ranged from 138 (for frozen confection factory licences) to 217 working days (for factory canteen licences). According to FEHD, the processing time was calculated based on applications received and approved in the same year. Audit calculated the average processing times of full restaurant licence applications, including those completed in year(s) subsequent to the year of application and noted that it was 187 working days in 2022, compared to 173 working days as reported by FEHD. Audit also noted that there was no timeframe set on the overall processing times for most types of food business licences, and no regular reporting on the average processing time for issuing food business licences for monitoring purposes (paras. 2.34 to 2.36 and 2.38).

8. ***Need to enhance monitoring of processing of restricted food permit applications.*** According to FEHD, in 2022, the average processing times for issuing new restricted food permits ranged from 39 to 86 working days. Audit examined 10 applications for new restricted food permits received in 2021 and 2022 and noted that the timeframes for processing the applications stipulated in FEHD's guidelines were not always complied with. For example, while the case manager should inspect the premises within a specified timeframe upon receipt of notification of compliance, in 5 (71%) of the 7 applications for restricted food permits (other than online sale of restricted food permits), there were delays in conducting the inspections, ranging from 4 to 20 working days (averaging 8 working days) (paras. 2.34 and 2.42).

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9. *Need to ensure that timeframes set for processing OSA permission applications are met.* According to FEHD, for the period 2018 to 2022, the average processing times for approving new OSA permissions ranged from 15 to 23 months for inclusion of OSA into existing licensed premises, and from 9 to 19 months for applications made concurrently with new restaurant licences. Audit examined 10 applications (including 9 applications for inclusion of OSA into existing licensed premises) for OSA permissions and noted that:

- (a) according to FEHD, for applications for inclusion of OSA permissions into existing licensed premises, the time required for handling a simple and straight forward application is 46 working days. For the 9 applications examined, the time taken to process each application ranged from 84 to 341 working days (averaging 160 working days), i.e. 38 to 295 working days (averaging 114 working days) more than the 46-day timeframe; and
- (b) a timeframe of 20 working days is set for receiving comments from other relevant B/Ds on applications for inclusion of OSA permissions into existing licensed premises. However, the time taken in all 9 applications exceeded this 20-day timeframe by a range of 51 to 195 working days (averaging 104 working days). Upon enquiry with other relevant B/Ds, the reasons for the delays include time lags in receiving referrals from and/or sending comments to FEHD (see para. 4), longer time taken to obtain relevant information and clarify with applicants for more complicated cases or miscommunication between B/Ds, and impact of the outbreak of the COVID-19 epidemic. While noting other relevant B/Ds' explanations, Audit noted that there was scope for improving the timeliness in providing comments by the B/Ds to FEHD for processing applications for OSA permissions (paras. 2.44 to 2.46 and 2.50).

10. *Room for improvement in handling local consultations.* For OSA permission applications, after receiving objections raised by the public or other relevant B/Ds, FEHD informs the applicants of the matters and allows the applicants to submit remedial proposals if applicable. Further local consultation may be conducted after the revision of the applications. For the 10 applications examined, FEHD took 1 to 134 working days (averaging 39 working days) to inform the applicants of the objections received, and 1 to 47 working days (averaging 19 working days) to refer the applications to the department concerned for conducting further local consultations (para. 2.47).

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### Management of food business licences and permits

11. *Need to improve reporting of processing time for food business licence/permit transfer applications.* Transfer of food business licences/permits are processed by DEHOs. According to FEHD, the average processing time for transfer applications for restaurant licences in 2022 was about 39 working days. Audit noted that:

- (a) the average processing time of 39 working days was calculated based on applications received and approved in the same year only; and
- (b) Audit examination of the records of 30 applications for food business licence/permit transfer received in the period from 2018 to 2023 (up to January) recorded in LMIS revealed that 7 (23%) were wrongly classified as transfer cases. For 4 (13%) applications, the processing time data was incomplete or inaccurate (paras. 3.2, 3.5 and 3.7).

12. *Need to enhance monitoring of processing of food business licence/permit transfer applications.* Of the 30 food business licence/permit transfer applications examined by Audit (see para. 11), Audit further examined the case with the longest processing time (i.e. 784 working days for an application for transfer of a frozen confection restricted food permit for a premises at a petrol filling station) and found areas for improvement, including:

- (a) *Long time taken in issuing letter of response.* While FEHD has set a performance pledge for issuing a letter of response within 9 working days for transfer of licences, no performance pledge is set for transfer of permits. The time elapsed from the date of application to the issue of the letter of response to the applicant was 21 working days, i.e. exceeding the performance pledge set for transfer of licence by 12 working days;
- (b) *Need to send referrals to other relevant B/Ds and request for information from applicant timely.* The application was referred to two B/Ds (i.e. FSD and the Lands Department) for comments about 1 month after the receipt of the application. Upon receiving the referral, FSD indicated that additional information was needed. The DEHO issued a letter to the applicant on 25 February 2019 to request for additional information, about 5 months after receiving the reply from FSD, and another letter again on 15 November 2019;

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- (c) ***Delay in seeking approval.*** According to FEHD's guidelines for processing transfer applications, the case manager conducts an interview with the transferor and proposed transferee, and reports the interview results and recommends to the Senior Health Inspector and the Chief Health Inspector for approving or rejecting the application. In the case concerned, the case manager reported the interview results and the recommendation for approving the transfer application about 15 months after the interview. Audit noted that there was no timeframe set for the submission of interview results for seeking approval for transfer applications; and
- (d) ***Different understanding on referral mechanism.*** According to FEHD's guidelines, for applications for transfer of food business licences/permits for premises at petrol filling stations, referral to FSD and the Lands Department for comments is not required. However, according to FSD, a referral mechanism had been established with FEHD since May 2017 such that all applications (i.e. new, renewal, alteration and transfer applications included) for food business licences/permits for premises at petrol filling stations should be referred to FSD for detailed risk assessment. Upon enquiry, FEHD informed Audit in October 2023 that, taking into account FSD's comments, all applications for food business licences/permits for premises at petrol filling stations (inclusive of transfer and renewal applications) would be referred to FSD with immediate effect. (paras. 3.2, 3.9 to 3.11).
13. ***Need to enhance renewal procedures for food business licences/permits.*** A full food business licence is valid for 12 months and renewable, subject to no cancellation or revocation as a result of accumulation of demerit points or breaches of licensing requirements and/or conditions. According to FEHD, food business licensees/permittees are required to submit identity proofs on application for renewal. A corporate licensee/permittee is required to submit a photocopy of the certificate of incorporation as supporting documents (in addition to the photocopy of identity document of the authorised person). There is no requirement for documents proving the validity of its corporate status (e.g. latest business registration). Audit noted a case in which a corporate licensee was dissolved at the time of licence renewal and therefore not eligible to hold the licence, but managed to successfully renew the licence (paras. 3.14 and 3.15).

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14. ***Room for improvement in handling conversion of provisional food business licences to full licences.*** FEHD operates a provisional licensing system to enable applicants to operate food businesses on a provisional basis pending the issue of a full licence. A provisional food business licence is valid for 6 months. Prior to 1 March 2023, the maximum time allowed for licensees of provisional licences to comply with all the licensing requirements for the issue of full licences (referred to as the grace period) was 6 months after the expiry of the provisional licences. The application is deemed withdrawn after the grace period, unless the licensee can demonstrate that the delay in meeting the licensing requirements is due to factors beyond his/her reasonable control. Audit examined 48 new full food business licence applications with provisional licences issued and found that in 12 (25%) applications, the grace period for conversion from provisional food business licences to full licences had been extended but there was no documentation on the justifications (paras. 3.21, 3.26 and 3.27).

15. ***Need to improve performance reporting relating to licensing of food premises.*** FEHD has set performance targets on licensing of food premises in the Controlling Officer's Report. In addition, it publishes performance pledges on processing applications for food business licences and OSA permissions on its website. According to FEHD, all the performance targets and pledges set for food business licensing were met in 2018 to 2022. However, Audit noted inadequacies in the reporting process, including:

- (a) Audit examination of 50 applications for new food business licences and 10 applications for new OSA permissions revealed instances where the performance measures were not achieved but FEHD reported an achievement of 100% in its Controlling Officer's Report or website. For example, first site inspections were not conducted in 6 (30%) of 20 applications for non-restaurant licences within 7 working days of acceptance of the applications;
- (b) in reporting the achievement of the performance measure of "holding of AVP meeting for restaurant licences within 20 working days from passing of initial screening for 99% of applications" in FEHD's Controlling Officer's Report, AVP meetings scheduled but not convened (see para. 5(a)) were counted as meeting the target; and
- (c) FEHD's performance reporting process involved a lot of manual procedures. It was time consuming, prone to errors and resource intensive (paras. 3.31 to 3.34).

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16. *Need to review performance measures for processing food business licences/permits.* Currently, all the performance measures published by FEHD are on processing applications for full or provisional food business licences but not for restricted food permits. Based on the information provided by FEHD, for the period 2018 to 2022, the average processing times of issuing different types of restricted food permits ranged from 33 to 136 working days, and that some of the processing times were comparable to those of licences (e.g. in 2022, 61 working days for provisional general restaurant licences) (para. 3.36).

### Other related issues

17. *Need to keep under review the use of composite food shop licence.* Composite food shop licence was introduced in August 2010 with a view to giving flexibility to sell and/or prepare various specified types of simple or ready-to-eat foods that do not involve complicated preparation (e.g. coffee/tea and sandwich) for consumption off the licensed premises. In the Legislative Council brief of May 2010, it was assumed that about 110 food shops would apply for the composite food shop licences if the trade considered it more user-friendly. Audit noted that up to June 2023, there were only 39 applications. As of June 2023, there was only one food premises holding this licence (paras. 4.5 and 4.6).

18. *Need to promote online payment service and electronic application service and extend coverage of the services as scheduled.* For new issue of full food business licences/permits, fees for licences/permits can be paid online since 2016. Audit noted that the usage of the online payment service for the period 2018 to 2022 had been on the low side, accounting for less than 2% of licence/permit payment transactions each year. Furthermore, as of June 2023, online payment service was not available for new issue of provisional licences, and transfer and renewal of food business licences/permits. According to FEHD, it planned to extend the online payment service to all payment of fees related to food business licences/permits by the second quarter of 2024. As regards electronic submission of applications for food business licences/permits, as of August 2023, electronic application service did not apply to renewal applications for food business licences/permits. According to FEHD, it planned to launch an online platform for food business licences/permits renewal applications by the end of 2023 (paras. 4.12, 4.13 and 4.16).



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19. *Need to enhance application tracking functions of ATF.* FEHD introduced ATF in 2008 to facilitate applicants of food business licences to check the status of their applications through the Internet. In March 2015, FEHD enhanced ATF to cover OSA permission applications. As of June 2023, ATF did not cover applications for temporary food factory licences and restricted food permits. Given that the average processing times for applications for restricted food permits could be up to 3 months, there are merits to consider extending ATF to all types of food business licence/permit applications (paras. 4.18 and 4.19).

20. *Need to set implementation schedule for electronic-referral system.* The processing of food business licence/permit applications involves referrals to other relevant B/Ds for comments (see para. 3). In 2019, to save manpower and transport expenditure, FEHD planned to implement an electronic application referral system (i.e. electronic-referral system) to transform all new applications for food business licences received by FEHD into soft copies and transmit to other relevant B/Ds for follow-up actions through electronic-memorandum. According to FEHD, with the implementation of LMIS 2 in May 2023, FEHD had already launched data interfaces with two B/Ds through the electronic-referral system in processing applications for some types of licences (e.g. general restaurant licences). The data interface with another department through the system was expected to be launched by 2026, and data interfaces with other relevant B/Ds were pending consultation on the system capabilities of respective B/Ds (paras. 4.20 and 4.21).

## Audit recommendations

21. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Director of Food and Environmental Hygiene should:**

### *Processing of applications for new food business licences and permits*

- (a) **take measures to ensure timely referrals of food business licence applications to other relevant B/Ds and DEHOs for comments and revised layout plans are processed in a timely manner (para. 2.30(a) and (b));**

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- (b) **take measures to improve collaboration with other relevant B/Ds and among FEHD's offices in processing of food business licence applications, including sending reminders to other relevant B/Ds and FEHD's responsible offices in a timely manner, taking measures to reduce the time lags in sending referrals to and receiving comments from other relevant B/Ds, and encouraging other relevant B/Ds to use the electronic-referral system (para. 2.30(c));**
- (c) **take measures to improve the referral mechanism for processing food business licence applications, including avoiding making referrals to other B/Ds unnecessarily, and taking into account the operational needs of FEHD and other relevant B/Ds in stipulating the timeframes for providing comments on licence applications in FEHD's guidelines (para. 2.30(d));**
- (d) **review the AVP meeting arrangements and take measures to ensure that AVP meetings not convened are rescheduled as appropriate (para. 2.30(e));**
- (e) **take measures to ensure that inspections for checking the suitability of the premises for operating food businesses are conducted in accordance with the timeframes set out in FEHD's guidelines (para. 2.30(g));**
- (f) **compile management information on the processing time for food business licence/permit applications regularly and ensure that the processing time of all applications are monitored (para. 2.40(a));**
- (g) **monitor the processing times for food business licence/permit applications, in particular cases with longer processing times with a view to formulating measures to expedite the process as far as practicable (para. 2.40(b));**
- (h) **enhance monitoring of the compliance with the timeframes set out in FEHD's guidelines for processing applications for restricted food permits (para. 2.51(a));**
- (i) **take measures to ensure that the timeframes stipulated in FEHD's guidelines for processing OSA permission applications are met, and document the justifications for not meeting the timeframes, and**

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improve the coordination with other relevant B/Ds in processing OSA permission applications (para. 2.51(c) and (e));

- (j) take measures to expedite the process of informing applicants of OSA permission applications of the objections received and referring the applications to other relevant B/Ds for conducting further local consultations (para. 2.51(d));

### *Management of food business licences and permits*

- (k) ensure that all applications are included in the calculation of processing time of food business licence/permit transfer applications, and take measures to improve the accuracy of the information on food business licence/permit transfer applications in LMIS (para. 3.12(a) and (b));
- (l) take measures to ensure that food business licence/permit transfer applications are processed in a timely manner (para. 3.12(c));
- (m) consider setting a timeframe for the submission of interview results for seeking approval for food business licence/permit transfer applications in FEHD's guidelines (para. 3.12(d));
- (n) update FEHD's guidelines according to the agreed referral mechanism with other relevant B/Ds for processing food business licence/permit transfer applications involving petrol filling stations, and take measures to ensure compliance with the guidelines (para. 3.12(e));
- (o) enhance the renewal procedures for food business licences/permits to ensure that only eligible applicants can renew their licences/permits (para. 3.19(a));
- (p) take measures to ensure that the justifications for extending the grace period for conversion from provisional food business licences to full licences are documented (para. 3.29(b));
- (q) take measures to improve the procedures in reporting FEHD's performance on processing food business licence/permit applications, including exploring the use of technology to facilitate the reporting

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process and enhancing data checking procedures so as to ensure that the achievement of performance measures is accurately reported (para. 3.37(a));

- (r) consider reviewing the reporting basis of the performance measures for AVP meetings and issue of food business licence in FEHD's Controlling Officer's Report and take follow-up actions as appropriate (para. 3.37(b));
- (s) review FEHD's performance measures for processing food business licence/permit applications, including the need for setting target processing time for restricted food permits and taking follow-up actions as appropriate (para. 3.37(c));

### *Other related issues*

- (t) conduct a review on composite food shop licence and take follow-up actions as appropriate (para. 4.10(b));
- (u) take measures to promote the online payment service and further promote the electronic application service for food business licences/permits, and ensure that the services are extended to all payment of fees and all types of food business licence/permit applications as scheduled (para. 4.23(a) and (b));
- (v) consider extending ATF to all types of food business licence/permit applications (para. 4.23(c)); and
- (w) set an implementation schedule for the electronic-referral system after consulting the B/Ds concerned and monitor the progress to ensure its timely completion (para. 4.23(d)).

22. Audit has *recommended* that the Secretary for Housing, the Director of Buildings, the Director of Drainage Services, the Director of Electrical and Mechanical Services, the Director of Environmental Protection, the Director of Fire Services, the Commissioner for Labour, the Director of Lands and the Director of Planning should take measures to ensure that

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comments are provided to FEHD for processing food business licence applications in a timely manner (e.g. consider using the electronic-referral system) (para. 2.31).

23. Audit has *recommended* that the Director of Buildings, the Director of Home Affairs, the Director of Planning and the Commissioner for Transport should take measures to ensure that comments are provided to FEHD in a timely manner for processing OSA permission applications (para. 2.52).

## Response from the Government

24. The Director of Food and Environmental Hygiene, the Secretary for Housing, the Director of Buildings, the Director of Drainage Services, the Director of Electrical and Mechanical Services, the Director of Environmental Protection, the Director of Fire Services, the Director of Home Affairs, the Commissioner for Labour, the Director of Lands, the Director of Planning, and the Commissioner for Transport generally agree with the audit recommendations.



## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Background*

1.2 The Food and Environmental Hygiene Department (FEHD) is responsible for safeguarding public health. One of its core duties is the licensing and regulatory control of food premises. FEHD is the licensing authority of food premises and exercises control through its licensing regime, inspections and enforcement actions in accordance with the Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislations (Note 1) (hereinafter collectively referred to as the Ordinance unless otherwise specified). The objective is to ensure that licensees of food premises comply with the licensing conditions, and food safety and environmental hygiene provisions of the Ordinance.

### *Food business licences and permits*

1.3 ***Food business licences.*** Under the Ordinance, premises used as food premises (Note 2) are required to be licensed before operation of food businesses. Licences are only issued to food premises if they conform to the prescribed safety and hygiene standards laid down by the law, and comply with the government lease conditions, statutory plan restrictions and relevant licensing requirements. Food businesses that are required to be licensed are classified into the following types:

- (a) restaurants involving the sale of meals or non-bottled non-alcoholic drinks (other than Chinese herb tea) for consumption on the premises. They can be further categorised as:

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**Note 1:** *Examples of subsidiary legislations of the Public Health and Municipal Services Ordinance are the Food Business Regulation (Cap. 132X), the Frozen Confections Regulation (Cap. 132AC), the Milk Regulation (Cap. 132AQ) and the Preservatives in Food Regulation (Cap. 132BD).*

**Note 2:** *According to the Food Business Regulation, a food premises means any premises on or from which food business is carried on.*

## Introduction

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- (i) general restaurant which is allowed to use any kind of cooking method for food preparation;
  - (ii) light refreshment restaurant which is only allowed to use simple cooking methods (e.g. boiling, stewing, steaming, braising, simple frying) for food preparation; and
  - (iii) marine restaurant for operating the restaurant business on board a vessel;
- (b) bakery involving baking of bread and other bakery products for sale;
- (c) cold store involving the storage of articles of food under refrigeration in any warehouse;
- (d) factory canteen involving the sale or supply of meals or non-bottled non-alcoholic drinks (other than Chinese herb tea) for consumption on the premises by persons employed in any factory in the same factory building;
- (e) food factory involving the preparation of food for sale for human consumption off the premises, such as preparing canned/bottled food or drinks, or operating a take-away food shop;
- (f) temporary food factory involving the operation of a stall/kiosk of temporary nature for heating up/cooking and sale of pre-prepared food for consumption off the premises in conjunction with a public function of short duration (e.g. exhibition or concert);
- (g) fresh provision shop involving the sale of fresh, chilled or frozen beef, mutton, pork, reptiles, fish or poultry;
- (h) frozen confection factory involving the manufacture of any frozen confection (e.g. soft ice-cream);
- (i) milk factory involving the processing or reconstitution of milk or any milk beverage;



- (j) siu mei and lo mei shop involving the sale by retail of siu mei or lo mei; and
- (k) composite food shop covering the sale and preparation for sale of various specified types of simple or ready-to-eat foods that do not involve complicated preparation (e.g. coffee/tea, sandwich and frozen confections).

According to the Food Business Regulation, the validity period of a licence for temporary food factory (see (f) above) is 7 days or less, and the validity period of a full licence for the remaining types of food businesses is 12 months.

1.4 ***Provisional food business licences.*** To facilitate the setting up of food businesses, FEHD operates a provisional licensing system in which a provisional food business licence is issued to premises that have satisfied all essential health, ventilation, building and fire safety requirements. A provisional food business licence is valid for 6 months, during which time the licensee has to complete all outstanding requirements for the issue of a full licence.

1.5 ***Restricted food permits.*** FEHD issues permits for sale of restricted foods (including online sale — Note 3) under the Food Business Regulation. Examples of restricted foods include non-bottled drinks, frozen confections, milk and milk beverages, sushi and sashimi, and food sold by means of vending machines. The validity period of a restricted food permit is 12 months.

1.6 ***Renewal and transfer.*** Licensees and permittees can submit applications to FEHD for renewal and transfer of the licences and permits upon fulfilling certain conditions (e.g. compliance with fire safety requirements for restaurant licences and factory canteen licences).

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**Note 3:** *The Restricted Food Permit (Online Sale of Restricted Food) enables online sale of restricted foods (e.g. prepackaged fresh, chilled, frozen or deep frozen meat or fish) through the Internet by an operator obtaining food from approved suppliers if there is neither handling (e.g. cutting up, slicing, packing or wrapping) nor storage of the foods for sale at the business premises. For food premises granted with specified food business licences or permits, the operators must comply with relevant licensing conditions if they also carry out online sale of food items permitted. No separate applications for the Restricted Food Permit (Online Sale of Restricted Food) regarding the permitted food items are required.*

## Introduction

1.7 As at 31 March 2023, there were 34,640 valid food business licences and 11,071 valid restricted food permits. Tables 1 and 2 show the number of valid food business licences and restricted food permits as at 31 December in the period from 2018 to 2022 respectively.

**Table 1**  
**Number of valid food business licences**  
**(as at 31 December)**

Licence	2018	2019	2020	2021	2022
	(Number)				
<i>Full licence (Note 1)</i>					
General restaurant	11,173	11,448	11,799	12,037	12,630
Light refreshment restaurant	3,820	3,927	4,059	4,106	4,280
Marine restaurant	5	5	5	5	6
Food factory	7,671	8,275	8,898	9,668	10,666
Fresh provision shop	2,468	2,557	2,717	2,984	3,243
Bakery	578	575	573	546	529
Factory canteen	479	481	489	487	485
Frozen confection factory	490	504	514	482	457
Siu mei and lo mei shop	356	366	384	403	429
Cold store	57	63	65	68	79
Milk factory	8	8	8	8	8
Composite food shop	3	3	3	2	2
Sub-total	27,108	28,212	29,514	30,796	32,814
<i>Provisional licence (Note 2)</i>	1,923	1,905	1,716	2,215	1,801
Total	29,031	30,117	31,230	33,011	34,615

Source: FEHD records

Note 1: The figures exclude the number of temporary food factory licences (see para. 1.3(f)). According to FEHD, the validity period of the licence is 7 days or less. As such, the number of valid licences fluctuates a lot during the year and the figure as at 31 December is not representative of the overall situation of the year.

Note 2: The majority of the provisional licences issued involved general restaurants, light refreshment restaurants, food factories and fresh provision shops.

Table 2

**Number of valid restricted food permits  
(as at 31 December)**

Permit	2018	2019	2020	2021	2022
	(Number)				
Frozen confections	2,638	2,656	2,752	3,097	3,244
Milk/milk beverage	2,017	2,045	2,066	2,295	2,468
Online sale of restricted food	395	422	804	1,632	1,901
Non-bottled drinks	640	634	662	759	862
Cut fruit	782	798	795	813	808
Food sold by means of a vending machine	102	205	356	388	417
Chinese herb tea	402	417	411	422	413
Shell fish (including hairy crab)/live fish	311	314	321	369	438
Sushi/sashimi	318	286	297	306	313
Others (Note)	347	88	95	119	146
Total	7,952	7,865	8,559	10,200	11,010

Source: FEHD records

Note: Other types of restricted food permits include those for the sale of oyster and meat to be eaten in raw state.

1.8 **Permissions for outside seating accommodation (OSA).** OSA refers to any open area used for alfresco dining business, whether it is situated on Government land or within private property. Open area also includes flat roof of a building, a backyard/open yard of a building where there are no waste/soil pipes or manholes prejudicing the hygienic operation of the OSA, and area underneath or partially covered by projecting structures. When a restaurant licensee/licence applicant wishes to use an open area outside the restaurant premises for alfresco dining, permission from FEHD is required. The validity of the OSA permission is the same as the relevant restaurant licence. As at 31 March 2023, there were 403 valid OSA permissions.

## Introduction

1.9 According to the Food Business Regulation, a licensee shall exhibit the food business licence at a conspicuous place near the entrance of the food premises (see Figure 1 for an example). To facilitate the public to check if a premises are issued with a food business licence/permit, FEHD makes available on its website a list of premises issued with food business licences/permits for public inspection and requires licensees to display a sign indicating that the premises have been licensed (see Figure 2 for an example).

Figure 1

Example of  
a food business licence

食物環境衛生署  
Food and Environmental Hygiene Department

《公眾衛生及市政條例》(第 132 章)  
PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE (CAP. 132)

普通食肆牌照  
GENERAL RESTAURANT LICENCE

此牌照(地址列於本牌照內)已由食物環境衛生署署長(署長)發給以證明該普通食肆。持牌人姓名列後。  
The premises at the address shown have been licensed by the Director of Food and Environmental Hygiene (Director) as a general restaurant, the licensee being the person whose name appears hereunder.

牌照的有效期間為一年。由 06/10/2023 起至 05/10/2024 止。  
Unless suspended or cancelled by the Director, the licence shall remain in force for one year from 06/10/2023 to 05/10/2024.

持牌人必須遵守《公眾衛生及市政條例》(第132章)有關牌照規例。有關條件及一切限制。持牌人亦須留意。  
This licence is issued subject to the provisions of the Public Health and Municipal Services Ordinance (Cap.132) and Regulations made thereunder, and to such requirements, conditions or restrictions as are notified to the licensee by the Director.

除非獲得署長書面同意，否則持牌人不得將此牌照轉讓予他人。  
Save with the consent in writing of the Director, a person to whom a licence has been granted shall not transfer his licence to any person.

持牌人必須在牌照顯示有關處所的人口附近一顯眼位置，展示本牌照。  
The licensee shall exhibit this licence at a conspicuous place near the entrance of his premises to which this licence relates.

處所大小(按單面淨樓面面積計算): 151.26 平方米 SQ.M.  
Size of premises by reference to floor area:

執照可註(有現代化設備，請參閱背面)  
Endorsement/Permission (For description of codes, please see overleaf)

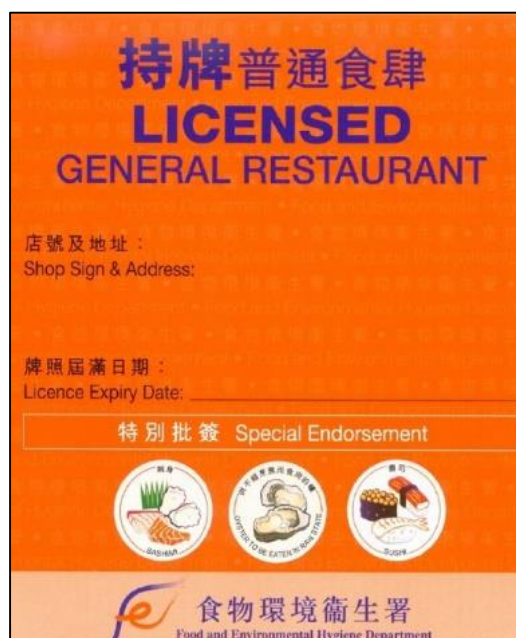
費已收訖  
Fee Received \$4150.00

食物環境衛生署署長 (代行)  
for Director of Food and Environmental Hygiene  
日期:  
Date 27/09/2023

Source: FEHD records

Figure 2

Example of a sign displayed  
by a licensed food premises



Source: FEHD records

***Responsible branch/divisions***

1.10 ***Environmental Hygiene Branch of FEHD.*** FEHD's work in licensing and regulatory control of food premises falls within the programme area "Environmental Hygiene and Related Services" (Note 4). In 2022-23, the expenditure of the FEHD offices responsible for the work in licensing and regulatory control of food premises, among other duties, amounted to about \$497 million (Note 5), and the revenue from the issue of food business licences and permits was about \$5 million (Note 6). The Environmental Hygiene Branch is responsible for planning and directing the provision of environmental hygiene services, including the licensing and regulatory control of food premises. There are five divisions under the branch, namely:

- (a) the Headquarters Division, which is responsible for formulating departmental policies and guidelines on environmental hygiene services, licensing, market management and hawker control, processing applications for review to the appeal boards, and other special duties;
- (b) three Operations Divisions, which are responsible for, among other duties, district environmental hygiene operations on the Hong Kong Island and

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**Note 4:** *Other work within the programme area "Environmental Hygiene and Related Services" includes provision of public cleansing services, processing of applications for liquor licences and administrative support to the Liquor Licensing Board, management of cremation and burial facilities, regulating private columbaria, abating environmental nuisances relating to dripping air-conditioners and water seepage, and cleaning up illegal refuse deposit blackspots.*

**Note 5:** *The expenditure for the programme area "Environmental Hygiene and Related Services" amounted to about \$6.6 billion in 2022-23. According to FEHD, the expenditure of about \$497 million in 2022-23 also included the expenditure of some other environmental hygiene services of the respective offices. It does not maintain a breakdown of expenditure which only involved the licensing and regulatory control of food premises.*

**Note 6:** *Fees for grant or renewal of food business licences/permits vary depending on the types of licences/permits and/or size of the premises. For example, as at 31 March 2023, fees for grant or renewal of a full licence for a general restaurant not exceeding 100 square metres was \$2,520, and that for a general restaurant exceeding 5,000 square metres was \$125,840. In 2022-23, to ease the operating pressure of food businesses during the coronavirus disease (COVID-19) epidemic, fees for all types of food business licences and permits were waived (except for temporary food factory licence and administration fee/levy such as amendment fee on transfer of licences).*

## Introduction

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Islands, in Kowloon and the New Territories. Each Operations Division comprises:

- (i) a Regional Licensing Office (RLO), which is mainly responsible for processing applications for new food business licences and online sale of restricted food permits, and the issuing of and collecting related fees for food business licences/permits; and
- (ii) several District Environmental Hygiene Offices (DEHOs), which are mainly responsible for conducting inspections of licensed and unlicensed food premises and enforcing the Ordinance, and processing applications for restricted food permits other than those for online sale of restricted foods, and renewal and transfer of food business licences/permits.

As at 31 March 2023, there were 3 RLOs and 19 DEHOs under the three Operations Divisions; and

- (c) the Environmental Hygiene Administration Division, which is responsible for providing administrative support to the branch.

An extract of the organisation chart of FEHD as at 31 March 2023 is at Appendix A.

### ***Processing of applications for food business licences and permits***

1.11 According to FEHD, the purpose of licensing food premises is to ensure that the premises are suitable for operating the food businesses, to safeguard public health and food safety, and to ensure the safety of patrons. FEHD will issue a licence only when specific pre-requisites are fulfilled, including compliance with health requirements, government lease conditions, statutory plan restrictions, and specific requirements, including those related to ventilation, building safety, fire safety and gas safety. Applications for food business licences are referred to other relevant government bureaux/departments (B/Ds) for comments, including the Buildings Department (BD) on building safety, the Fire Services Department (FSD) on fire safety and ventilation plan requirements, and the Planning Department (PlanD) on compliance with statutory plan restrictions. The applications are also referred to other B/Ds for comments, such as the Lands Department (LandsD) on government lease

condition matters (Note 7) and the Electrical and Mechanical Services Department on electrical or gas installation matters if applicable. In 2022, FEHD received 10,227 applications for new food business licences and permits.

### ***Regulatory control of food premises***

1.12 ***Inspections to licensed/permitted food premises.*** FEHD performs regular inspections to licensed/permitted food premises to ensure that licence/permit holders comply with the licensing requirements and conditions as well as the law. During inspections, FEHD checks the sanitary conditions of the food premises and the food safety management measures taken in various aspects (such as food, equipment, personal hygiene of food handlers, cleanliness of the premises, pest control and waste treatment). In 2022, FEHD conducted 197,778 inspections to licensed/permitted food premises.

1.13 ***Demerit Points System and Warning Letter System.*** FEHD operates Demerit Points System in respect of licensed/permitted food premises, under which a pre-determined number of demerit points (depending on the nature and severity of the offence) will be registered against a licensee/permittee upon conviction of an offence in relation to food safety and environmental hygiene under the Ordinance. A licence/permit may be suspended or cancelled if sufficient number of points are accumulated. In addition, FEHD has implemented Warning Letter System, under which verbal and written warnings may be issued against food premises in breach of licensing requirements or conditions. A licence/permit may be cancelled if sufficient number of warning letters are accumulated and/or breach of licensing requirements or conditions persists. In 2022, FEHD instituted 3,152 prosecutions against licensed/permitted food premises (Note 8), and 84 food business licences were suspended or cancelled.

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**Note 7:** *According to FEHD, the applicant for a food business licence/permit should submit a declaration on compliance with government lease conditions for premises located in a private building. The application will be referred to LandsD for comments if considered necessary (e.g. application for a factory canteen licence).*

**Note 8:** *According to FEHD, prosecutions were instituted for offences such as using open space for preparation of food/washing or storage of utensils, and unauthorised extension of food business outside the licensed area.*

## Introduction

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1.14 ***Unlicensed food premises.*** FEHD is responsible for inspecting and taking enforcement actions against unlicensed food premises. Upon detection of suspected operation of an unlicensed food premises, FEHD will conduct inspections to the premises and take prosecution actions under the Ordinance. In 2022, FEHD conducted 49,790 inspections to unlicensed food premises and instituted 4,013 prosecutions against unlicensed food premises (including 3,775 prosecutions against the operation of unlicensed food businesses and 238 prosecutions against other offences such as dirty food premises and washing of utensils in rear lanes).

### ***Use of information technology***

1.15 FEHD mainly uses two information technology systems to support its work on licensing and regulatory control of food premises as follows:

- (a) ***Licensing Management Information System (LMIS).*** Launched in 2006, LMIS facilitates the processing of applications and administration of food business licences/permits issued, and provides statistical reports for management purposes. For example, it records details of licence/permit applications (e.g. name of applicant and business address), monitors the application progress (e.g. date of inspections conducted), and maintains information of the licences/permits issued (e.g. particulars of licensees/permittees and expiry dates). To improve the system, FEHD has launched the following LMIS enhancement projects (Note 9):
  - (i) ***LMIS 2.*** According to FEHD, LMIS 2 will improve FEHD's operational efficiency in the food business licensing process (e.g. streamlining work processes, minimising paper files routing, enhancing online application and tracking to facilitate application processing monitoring). The project was rolled out in May 2023 and the project expenditure was about \$8.4 million as at 31 March 2023; and

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**Note 9:** *The projects were funded under the Capital Works Reserve Fund Head 710 Computerisation Subhead A007GX (Block Allocation) — New administrative computer systems. The Government Chief Information Officer can authorise expenditure of a project (less than \$20 million) under the block allocation.*



- (ii) **LMIS 3.** According to FEHD, LMIS 3 will provide electronic platforms for various actions on the regulatory control of licensed food premises (e.g. maintenance of inspection records and determination of risk levels for conducting inspections). LMIS 3 project was scheduled for rollout in 2025 with a project estimate of \$18.1 million as of June 2023; and
- (b) **Online Licence Application Tracking Facility (ATF).** FEHD introduced ATF in 2008 to facilitate applicants of food business licences to check the status of their applications through the Internet.

## Audit review

1.16 In May 2023, the Audit Commission (Audit) commenced a review to examine the licensing and regulatory control of food premises. The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) “Licensing of food premises” (the subject matter of this Audit Report); and
- (b) “Regulatory control of food premises” (Chapter 6 of the Director of Audit’s Report No. 81).

1.17 This Audit Report focuses on the following areas:

- (a) processing of applications for new food business licences and permits (PART 2);
- (b) management of food business licences and permits (PART 3); and
- (c) other related issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### General response from the Government

1.18 The Secretary for Environment and Ecology expresses gratitude to Audit for the comprehensive review of FEHD's work in licensing of food premises. He agrees with the audit recommendations, and reaffirms the Government's commitment to safeguarding food safety, environmental hygiene and public health. The Environment and Ecology Bureau will provide policy steer and oversight for FEHD to take forward the recommendations.

1.19 The Director of Food and Environmental Hygiene appreciates the work done by Audit in auditing the FEHD's work in the processing of applications for new food business licences and permits, the management of these licences and permits, as well as other related issues. She has also said that:

- (a) FEHD always strives to improve the licensing regime for food business with a view to facilitating compliance and enhancing efficiency, while at the same time safeguarding food safety and environmental hygiene. Last year, for example, FEHD proactively rolled out the Professional Certification System (PCS) as an additional option for applicants in obtaining full licences, and introduced extensive relaxation of the restrictions on food items sold by light refreshment restaurants. FEHD has also been taking forward a number of innovation and technology initiatives, notably the continuous upgrading of LMIS, in order to improve its operation and the provision of public services;
- (b) with an increasing number of food business licences and evolving trade practices, FEHD understands that it must make the best use of its resources to maintain the high quality of its licensing services. In the past few years, FEHD had deployed considerable resources to COVID-19-related duties, such as enforcing anti-epidemic regulations in licensed premises and processing applications under different rounds of the Anti-epidemic Fund. This had inevitably affected FEHD's performance in some aspects of its regular licensing services;
- (c) as society returns to normalcy, FEHD considers that it is an opportune time to review the various processes, procedures, guidelines, etc. concerning the licensing regime and make improvements such that the regime can meet the evolving needs of the society. FEHD will fully take into account Audit's recommendations in its review. In particular, FEHD will review its various

guidelines and timeframes so as to enhance their practicability and facilitate compliance; and

- (d) the operation of the licensing regime involves not only FEHD, but also a number of other B/Ds and licence applicants. In the aforementioned review, FEHD will find ways to strengthen the collaboration with other B/Ds and encourage cooperation of the licence applicants such that the regime will operate smoothly.

## Acknowledgement

1.20 Audit would like to acknowledge with gratitude the full cooperation of the staff of FEHD, the Architectural Services Department, BD, the Drainage Services Department, the Electrical and Mechanical Services Department, the Environmental Protection Department (EPD), FSD, the Home Affairs Department (HAD), the Independent Checking Unit of the Housing Bureau (ICU of HB), the Labour Department, LandsD, PlanD and the Transport Department during the course of the audit review.

## **PART 2: PROCESSING OF APPLICATIONS FOR NEW FOOD BUSINESS LICENCES AND PERMITS**

2.1 This PART examines the processing of applications for new food business licences and permits, focusing on:

- (a) processing of applications for new food business licences (paras. 2.7 to 2.33);
- (b) processing time for issuing new food business licences (paras. 2.34 to 2.41); and
- (c) processing of applications for new restricted food permits and OSA permissions (paras. 2.42 to 2.54).

### ***Background***

2.2 ***Pre-requisites for food business licences.*** The purpose of licensing food premises is to ensure that the premises are suitable for operating the food businesses, to safeguard public health and food safety, and to ensure the safety of patrons (see para. 1.11). According to FEHD, it will not consider an application for a food business licence in respect of any premises unless:

- (a) the proposed business is in compliance with government lease conditions and statutory plan restrictions; and
- (b) the premises can meet requirements in respect of health (e.g. provided with proper drainage system and flushed toilets for restaurant premises), ventilation, building safety (e.g. free of unauthorised building works), fire safety and gas safety (if applicable).

2.3 Under the Food Business Regulation, FEHD may issue provisional food business licences to premises which have met all essential health, ventilation, building and fire safety requirements imposed by other relevant B/Ds. This enables applicants

## **Processing of applications for new food business licences and permits**

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to operate their food businesses following the certification for compliance of the essential requirements, pending the issue of a full licence (Note 10).

2.4 In deciding the suitability of premises for food businesses, FEHD will consult other relevant B/Ds. FEHD will continue to process an application only when the premises are deemed to be safe and suitable for food businesses by the B/Ds concerned.

2.5 ***Processing procedures for applications for food business licences/permits.*** FEHD has issued and publicised on its website application guides, setting out the requirements for the issue of food business licences/permits, supporting documents required, key handling procedures, and standard licensing requirements. FEHD has also issued internal guidelines laying down the procedures for processing of each type of food business licence/permit applications. Figure 3 shows a flowchart of the processing procedures for new restaurant licence applications (Note 11).

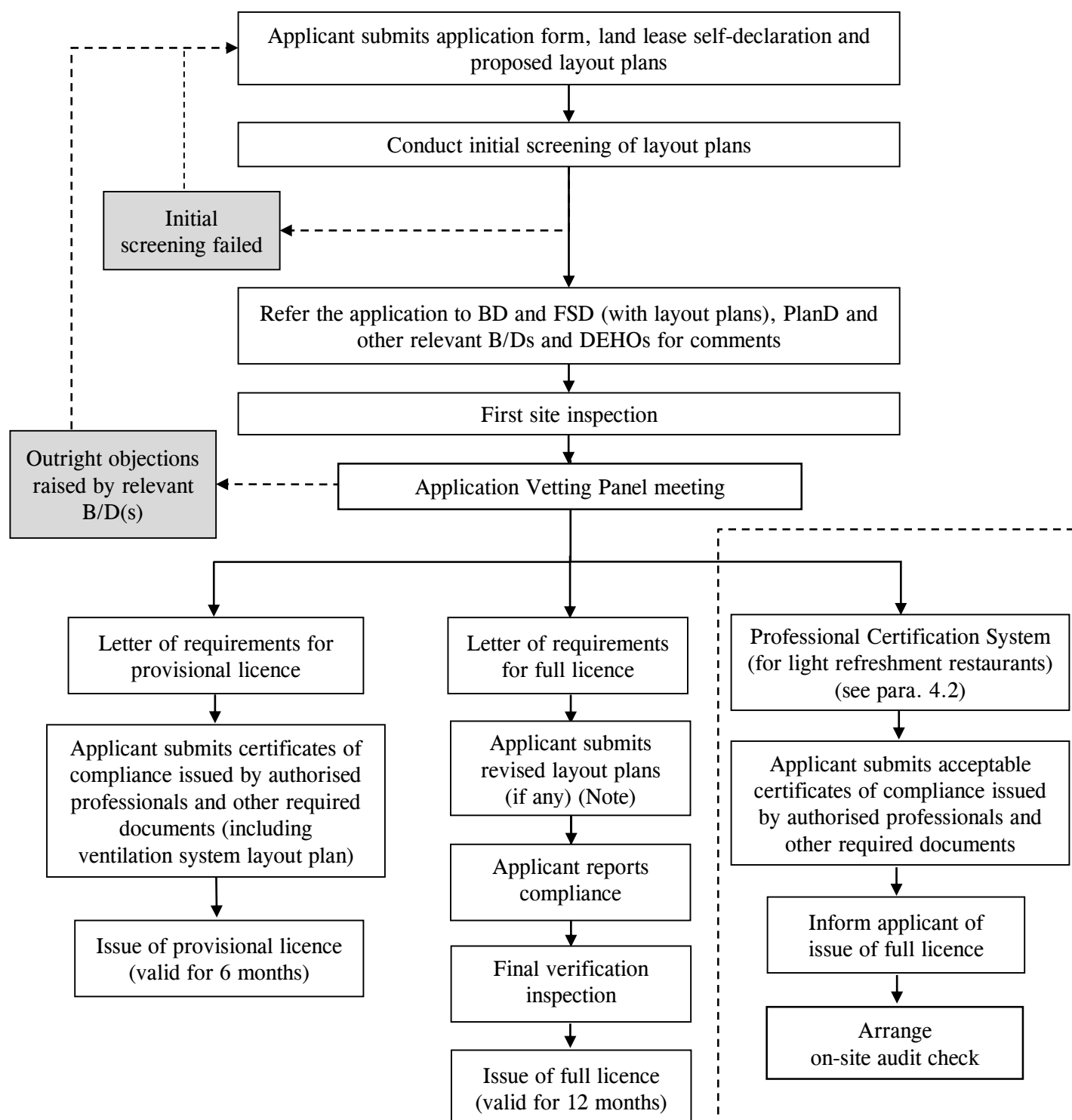
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**Note 10:** *Application for a provisional licence is optional. It can be made concurrently with the application for a full licence, or before the issue of a full licence, but will not be considered without applying for a full licence.*

**Note 11:** *Among the types of food business licences/permits, the application for a restaurant licence is subject to more requirements and is used in this Audit Report for illustration unless otherwise stated.*

**Figure 3**

**Flowchart of processing procedures  
for new restaurant licence applications  
(30 June 2023)**



*Source: FEHD records*

*Note: According to FEHD, if applicant submits revised layout and/or ventilation system layout plans, further referral(s) to other relevant B/Ds for comments may be required (see para. 2.8(b)).*

## Processing of applications for new food business licences and permits

2.6 Tables 3 and 4 show the numbers of applications for new food business licences/permits received and issued (Note 12) respectively in the period from 2018 to 2022.

**Table 3**  
**Number of applications for new food business licences/permits received**  
**(2018 to 2022)**

Licence/permit	2018	2019	2020	2021	2022
	(Number)				
Full licences	4,499	4,062	4,363	4,920	3,740
Provisional licences (Note)	4,399	3,965	4,266	4,875	3,678
Temporary food factory licences	2,689	2,066	522	685	519
Restricted food permits	1,574	1,328	2,182	3,601	2,247
OSA permissions	56	54	57	48	43
Total	13,217	11,475	11,390	14,129	10,227

Source: FEHD records

Note: According to FEHD, most of the applicants applied for a provisional licence concurrently with a full licence.

**Table 4**  
**Number of new food business licences/permits issued**  
**(2018 to 2022)**

Licence/permit	2018	2019	2020	2021	2022
	(Number)				
Full licences	3,254	3,277	3,326	3,338	4,003
Provisional licences	3,501	3,348	3,028	4,114	3,375
Temporary food factory licences	2,183	1,774	455	392	341
Restricted food permits	1,145	957	1,264	2,529	1,790
OSA permissions	24	32	15	30	37
Total	10,107	9,388	8,088	10,403	9,546

Source: FEHD records

**Note 12:** According to FEHD, the number of licences/permits issued in respective year may include applications for licences/permits received in previous year(s), as the processing of some applications may not be completed within the same year.

### Processing of applications for new food business licences

2.7 According to FEHD, it aims to provide efficient and courteous services to all licence applicants. It has set performance pledges on the licensing services (see para. 3.31), and meeting the performance pledges requires proactive compliance of the licensing requirements by licence applicants and joint efforts of other relevant B/Ds. As shown in Figure 3 in paragraph 2.5, the processing of applications involves various procedures, and the average processing times for issuing different types of full food business licences in 2022 ranged from 138 to 217 days from the receipt of applications to approval (see Table 8 in para. 2.34). Audit examined 50 applications for new food business licences received in 2021 and 2022 with long processing time (Note 13) with a view to identifying room for improvement at different stages of the application process.

#### *Room for improvement in referrals to B/Ds and DEHOs*

2.8 Upon receipt of an application for a new food business licence (Note 14), the relevant RLO will assign a case manager (i.e. Health Inspector grade staff of FEHD) and conduct an initial screening of the application to ensure that it conforms to the requirements. FEHD provides a “one-stop-shop” service for food business licence applications such that if the application is found acceptable after the initial screening, the RLO will refer the application (including the layout plans) to other relevant B/Ds for comments, so that the applicant does not need to submit the application to various B/Ds separately. An application may involve more than one round of referrals, as follows:

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**Note 13:** *The 50 applications comprised 30 restaurant licences (20 general restaurant licences and 10 light refreshment restaurant licences) and 20 non-restaurant licences (10 food factory licences and 10 fresh provision shop licences) received in 2021 and 2022. The selected 50 applications were with long processing times (i.e. longer than the average processing times for the relevant licence types), which ranged from 219 to 559 working days (averaging 387 working days).*

**Note 14:** *The applicant should submit a completed application form, proposed layout plans, and a declaration on compliance with government lease conditions for premises located in a private building (see Note 7 to para. 1.11).*



## **Processing of applications for new food business licences and permits**

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- (a) **First referral.** After the initial screening, the application will be referred to BD for comments on building safety (Note 15), FSD on fire safety and ventilation plan requirements, and PlanD for confirmation of compliance with statutory plan restrictions. It may also be referred to other relevant B/Ds for comments if necessary (Note 16). In addition, applications will also be referred to DEHOs for comments in respect of the premises concerned (e.g. whether the premises are covered by valid licence(s)/permit(s) and the records of cancellation of licence(s) registered against the same premises in the past 12 months); and
- (b) **Subsequent referral.** According to FEHD, in the application guide, it has strongly advised applicants not to revise the proposed layout (including ventilation system layout) and the submitted layout plans unnecessarily as this will inevitably lengthen the processing time for the issue of licences. However, it is not uncommon that applicants submit revised layout plans after passing the initial screening. The revised layout plans are referred to other relevant B/Ds as necessary.

2.9 FEHD has stipulated in its guidelines and/or referral memoranda the timeframes (Note 17) for RLOs for referring the applications to other relevant B/Ds and DEHOs, as well as for the B/Ds and DEHOs for providing comments on the applications (see Table 5).

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**Note 15:** *Other B/Ds assume the role of BD on building safety for food premises depending on the nature of the properties, namely ICU of HB for premises in Hong Kong Housing Authority's properties/divested Hong Kong Housing Authority's properties, the Architectural Services Department for premises in government properties, and LandsD for premises in New Territories exempted houses, village houses and private premises not under BD's ambit.*

**Note 16:** *Other B/Ds may include the Electrical and Mechanical Services Department on electrical or gas installation, EPD on environmental requirements, the Drainage Services Department on drainage connected matters, and the Labour Department on occupational safety and health matters.*

**Note 17:** *In preparing this Audit Report, FEHD informed Audit that the disclosure of some of the timeframes relating to the processing of food business licence/permit applications might have adverse implications to the delivery of FEHD's services. Taking into account FEHD's concerns, the relevant timeframes are referred to as a specified timeframe as appropriate.*

## Processing of applications for new food business licences and permits

**Table 5**

**Timeframes for referring applications and receiving comments  
(May 2023)**

Type	Referring applications to		Comments provided by	
	DEHOs	other relevant B/Ds	DEHOs	other relevant B/Ds
<i>First referral</i>				
Restaurant licences, factory canteen licences and cold store licences	Within 3 working days from receipt of application (Note 1)	Within 3 working days from receipt of application (Note 3)	Within 5 working days from date of referral	Before date of Application Vetting Panel meeting (Note 4)
Non-restaurant licences (other than factory canteen licences and cold store licences)		Before first site inspection (within 7 working days from receipt of application (Note 3))		Within 24 working days from date of referral
<i>Subsequent referral</i>				
All licences	N.A. (Note 2)	Within a specified timeframe from receipt of revised layout plans	N.A. (Note 2)	Within specified timeframes from date of referral (Note 4)

*Source: FEHD records*

*Note 1: FEHD's guidelines stipulate that initial screening should be completed in 3 working days upon receipt of application. According to FEHD, it is RLOs' practice to refer applications to DEHOs upon the passing of the initial screening.*

*Note 2: No subsequent referral to DEHOs is required for revised layout plans.*

*Note 3: If further clarifications with and/or acceptable documents are required from the applicant, the date of receipt of the relevant information was taken as the date of receipt of application.*

*Note 4: According to FEHD, timeframes for other relevant B/Ds to provide comments are stated in the referral memoranda.*

## **Processing of applications for new food business licences and permits**

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2.10 *Need to ensure that timeframes set for referrals of applications and processing revised layout plans are met.* Audit examination of the 50 applications found that there were delays in processing revised layout plans and making referrals to DEHOs and other relevant B/Ds (Note 18), as follows:

- (a) *First referral.* It included:
  - (i) for 9 (18%) of the 50 referrals made to DEHOs, the time taken in making referrals exceeded the stipulated timeframe (i.e. 3 working days) by 1 to 4 working days (averaging 2 working days);
  - (ii) for the 30 applications for restaurant licences, a total of 89 first referrals had been made to other relevant B/Ds. For 35 (39%) referrals, the time taken in making referrals exceeded the stipulated timeframe (i.e. 3 working days) by 1 to 6 working days (averaging 2 working days); and
  - (iii) for the 20 applications for non-restaurant licences, a total of 43 first referrals had been made to other relevant B/Ds. For 6 (14%) referrals, the time taken in making referrals exceeded the stipulated timeframe (i.e. 7 working days) by 1 to 9 working days (averaging 6 working days);
- (b) *Processing of revised layout plans.* The applicants of the 50 applications made revisions to layout plans for 569 times, ranging from 3 to 37 times for each application (averaging 11 times, i.e. some applicants submitted revised layout plans repeatedly) (Note 19). According to FEHD's guidelines, the processing of revised layout plans should be completed within a specified timeframe (see Note 17 to para. 2.9) from the date of submission of plans, after which a notification (e.g. letter of acceptance in principle) is sent to the applicant. On 61 (11%) occasions, the processing of the revised plans was not completed within the specified timeframe. The

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**Note 18:** *According to FEHD, for assessing the compliance with the stipulated timeframes, day 1 was the working day following the date of receipt of application.*

**Note 19:** *Revisions to layout plans and ventilation system layout plans are counted as two revisions regardless of whether they were submitted separately or at the same time.*

## Processing of applications for new food business licences and permits

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delay ranged from 1 to 173 working days (averaging 17 working days) (Note 20); and

- (c) ***Subsequent referral.*** Some of the revised layout plans (involving 37 applications) were referred to other relevant B/Ds for comments. For a total of 125 subsequent referrals made to other relevant B/Ds, there were delays (i.e. exceeding the specified timeframe) in making 16 (13%) referrals, ranging from 1 to 15 working days (averaging 6 working days).

2.11 In Audit's view, FEHD needs to take measures to ensure timely referrals of food business licence applications to other relevant B/Ds and DEHOs for comments, including ensuring that the timeframes specified in the guidelines are met. It also needs to take measures to ensure that revised layout plans are processed in a timely manner.

2.12 ***Need to take measures to ensure that comments are received timely for referred applications.*** Audit noted that there were delays in receiving comments from the relevant B/Ds (Note 21) and DEHOs for the 50 applications examined, as follows:

- (a) for DEHOs, there were delays in 27 (54%) out of the 50 first referrals, ranging from 1 to 71 working days (averaging 10 working days);
- (b) for first referrals to other relevant B/Ds, there were delays in 28 (31%) of the 89 referrals for restaurant licences and 15 (35%) of the 43 referrals for non-restaurant licences, ranging from 1 to 128 working days (averaging 19 working days) (Note 22); and

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**Note 20:** *According to FEHD, the application that FEHD took 173 working days to process and issue a letter of acceptance in principle to the applicant involved updating/correction of one of the legends used in the revised plan, and that comments from other relevant B/Ds were not required.*

**Note 21:** *The time taken in receiving comments from other relevant B/Ds is calculated based on FEHD records, i.e. from the date of the referral memorandum to the date of receipt of comments by FEHD (see also para. 2.13 for more details).*

**Note 22:** *These involved delays in providing comments by BD, the Drainage Services Department, the Electrical and Mechanical Services Department, EPD, FSD, ICU of HB, the Labour Department, LandsD and PlanD (see Appendix B and para. 2.13).*

## **Processing of applications for new food business licences and permits**

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- (c) for subsequent referrals to other relevant B/Ds, there were delays in 66 (53%) of the 125 referrals, ranging from 1 to 150 working days (averaging 30 working days) (Note 23).

In this connection, Audit noted that there was no formal guideline for staff to send reminders to other relevant B/Ds and DEHOs when there were delays in providing comments to FEHD. According to FEHD, RLOs staff were reminded in an internal meeting that reminders should be sent to other relevant B/Ds if no response was received within a specified timeframe (see Note 17 to para. 2.9) after the referral. Audit however noted that despite the delays, reminders were not always issued to other relevant B/Ds and DEHOs.

2.13 Upon enquiries with other relevant B/Ds, Audit was informed that the reasons for the delays in providing the comments to FEHD included the following:

- (a) ***Time lags in receiving referrals from and sending comments to FEHD.*** It was noted that:
  - (i) there were time lags between the dates of FEHD's referral memoranda and the dates of receipt by other relevant B/Ds (i.e. BD, FSD, ICU of HB and LandsD). In some cases, the time lags were 10 working days or more;
  - (ii) likewise, there were time lags between the dates of other relevant B/Ds' memoranda (for providing comments on the referred applications) and the dates of receipt of comments by FEHD. In this connection, while some B/Ds completed the handling of applications within the timeframes, the memoranda were not sent to FEHD in a timely manner (i.e. FSD and ICU of HB);
  - (iii) in some cases, FEHD did not receive the memoranda by the relevant B/Ds for the comments provided, or the relevant B/Ds did not receive FEHD's referral memoranda and were only made aware of the referrals upon receiving FEHD's reminders (i.e. the Drainage Services Department, the Labour Department and PlanD). For

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**Note 23:** *These involved delays in providing comments by BD, ICU of HB and LandsD (see Appendix B and para. 2.13).*

example, in one case, given that the relevant department did not receive the referral memorandum as well as the first and second reminders, comments were only provided to FEHD upon receipt of the third reminder, resulting in a delay of 96 working days; and

- (iv) according to FSD, it had a performance pledge in relation to processing of food business licence applications, i.e. 17 working days upon receipt of relevant referrals by FEHD, and it handled all the relevant FSD-related cases (cases with delays in receiving comments by FEHD — see para. 2.12(b)) within FSD's performance pledge. It should be noted that while FEHD had set a timeframe for FSD to provide comments (i.e. before the date of the Application Vetting Panel (AVP) meeting — see Table 5 in para. 2.9), FEHD had not taken into account the time that FSD would require for handling the cases (i.e. FSD's 17-day performance pledge), and the periods between the dates of FEHD's memoranda and the dates of AVP meetings varied among the referred cases (ranging from 9 to 16 working days and averaging 14 working days). In the extreme case, AVP meeting was scheduled in 9 working days, which in turn required FSD's handling in 8 working days. It was suggested that FEHD should reasonably take into consideration different performance pledges of the B/Ds concerned in setting the date of AVP meetings.

The above time lags were one of the reasons for the delays in providing comments to FEHD. According to other relevant B/Ds, based on their records, the time taken for providing comments to FEHD was generally shorter than that according to FEHD records (see Note 21 to para. 2.12);

- (b) *Scope for improving referral mechanism.* It was noted that:
  - (i) FEHD has uploaded the general referral protocols for food business licence applications on its website, listing out the B/Ds involved in providing comments for each of the food business licence types. In one case, while the referral protocols state that applications for food factory licences with meat and pig roasting, and food premises installed with chimneys would be referred to EPD, an application for a fresh provision shop licence without these features was

referred to the department (Note 24), which was considered by EPD to be a misdirected referral. Nevertheless, according to EPD, it endeavoured to provide comments on the application out of goodwill while balancing the need to prioritise its work. Coupled with the outbreak of the COVID-19 epidemic, special work arrangements and the time required for arranging the site inspections as the concerned premises were idle (see para. 2.13(c) and (d)), the time taken by EPD to reply to FEHD had exceeded the specified timeframe by 80 working days. While EPD's explanations are noted, it would be a good practice for EPD to advise FEHD timely if it considers that the agreed protocol has not been followed for improved collaboration;

- (ii) in one case, the referral was misdirected to an office of PlanD which was not responsible for handling the application. Extra time was spent on examining the referral for redirecting it to the appropriate office of PlanD; and
- (iii) for first referrals of applications for restaurant licences, factory canteen licences and cold store licences, and subsequent referrals of applications for all licences, while the deadlines for providing comments were stated in FEHD's referral memoranda to other relevant B/Ds, the timeframes have not been stipulated in FEHD's formal guidelines;

- (c) ***Time taken for clarifications and arrangement for inspections with applicants.*** In some cases, the delays were partly due to the need of other relevant B/Ds (i.e. FSD, LandsD and PlanD) to seek clarifications and/or additional information from the applicants. Submission of revised plans by the applicants also lengthened the processing time. In some other cases, the B/Ds concerned (i.e. the Drainage Services Department, EPD and LandsD) needed to arrange site inspections with the applicants, the timing of which was dependent on the availability of the applicants and the readiness of the premises for inspections. This process had been further delayed amid the COVID-19 epidemic; and

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**Note 24:** According to FEHD, the application for fresh provision shop licence involved the use of septic tank and therefore referral to EPD was made.

## **Processing of applications for new food business licences and permits**

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- (d) ***Impact of the COVID-19 epidemic.*** The time taken for providing comments on the referred applications by other relevant B/Ds in 2021 and 2022 was affected by the COVID-19 epidemic, during which there were special work arrangements, and deployment of staff to anti-epidemic operations. B/Ds had to prioritise their work and resulted in the longer time required to provide comments to FEHD.

2.14 In light of the audit findings on the delays and B/Ds' explanations (see paras. 2.12 and 2.13), Audit considers that FEHD needs to take measures to:

- (a) improve collaboration with other relevant B/Ds and among FEHD's offices in processing of food business licence applications, including:
  - (i) sending reminders to other relevant B/Ds and FEHD's responsible offices in a timely manner when there are delays in receiving comments and incorporating the relevant requirements in FEHD's guidelines; and
  - (ii) taking measures to reduce the time lags in sending referrals to and receiving comments from other relevant B/Ds.

In this connection, Audit noted that FEHD has implemented an electronic-referral system in May 2023 to facilitate the inter-departmental collaboration on food business licence processing (see paras. 4.20 and 4.21). The system streamlines the referral process thus reducing the time lags in sending referrals and receiving comments from other relevant B/Ds and delivery errors. FEHD needs to encourage other relevant B/Ds to use the electronic-referral system, and monitor the progress of the implementation of the system to ensure its timely completion; and

- (b) improve the referral mechanism, including avoiding making referrals to other B/Ds unnecessarily, and taking into account the operational needs of FEHD and other relevant B/Ds in stipulating the timeframes for providing comments on licence applications in its guidelines.



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2.15 While noting other relevant B/Ds' explanations, Audit noted that there was scope for improving the timeliness in providing comments by the B/Ds for processing food business licence applications (see paras. 2.12 and 2.13). Audit considers that the B/Ds concerned (including BD, the Drainage Services Department, the Electrical and Mechanical Services Department, EPD, FSD, ICU of HB, the Labour Department, LandsD and PlanD) need to take measures to ensure that comments are provided to FEHD in a timely manner (e.g. consider using the electronic-referral system).

### ***Need to review AVP meeting arrangements***

2.16 According to FEHD, an AVP meeting facilitates the applicant and/or his/her representative (e.g. consultant engaged by the applicant) to understand the licensing requirements and conditions. Representatives from FEHD, BD and FSD will discuss with the applicant any problems identified and remedies required, and the applicant's proposed construction/decoration programmes. In the event there are impediments to licensing, the applicant will be informed and advice will be given if remedies are feasible. An AVP meeting will be arranged (Note 25) within 20 working days of acceptance of the application (i.e. passing of initial screening). After obtaining full clearance from the B/Ds concerned (i.e. all other relevant B/Ds have confirmed that the premises are suitable for licensing), FEHD will issue a letter of requirements (LOR) listing out the licensing requirements for issue of licence to the applicant at the AVP meeting (Note 26).

2.17 Audit examined the records of AVP meetings for the period 2018 to 2022 and noted that:

- (a) AVP meetings had been scheduled for 8,945 applications. Only 75 (0.8%) of 8,945 AVP meetings scheduled were convened (see Table 6);

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**Note 25:** *An AVP meeting will be arranged for an application for a general restaurant licence, light refreshment restaurant licence, marine restaurant licence, factory canteen licence or cold store licence.*

**Note 26:** *Fire safety requirements will be issued to the applicant by FSD separately.*

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**Table 6**

**AVP meetings  
(2018 to 2022)**

Status	2018	2019	2020	2021	2022	Overall
	(Number)					
Scheduled	1,825 (100%)	1,919 (100%)	1,552 (100%)	2,111 (100%)	1,538 (100%)	8,945 (100%)
Convened	38 (2.1%)	13 (0.7%)	3 (0.2%)	11 (0.5%)	10 (0.7%)	75 (0.8%)
Not convened	1,787 (97.9%)	1,906 (99.3%)	1,549 (99.8%)	2,100 (99.5%)	1,528 (99.3%)	8,870 (99.2%)

Source: Audit analysis of FEHD records

- (b) in reporting the achievement of the performance measures in relation to AVP meetings (“holding of AVP meeting for restaurant licences within 20 working days from passing of initial screening”) (see item 1 in Table 12 in para. 3.31), AVP meetings scheduled but not convened were counted as meeting the target;
- (c) a LOR shall be issued to the applicant at the AVP meeting once clearance from all B/Ds has been obtained. According to FEHD’s guidelines, if the clearance is not obtained before the AVP meeting, a draft LOR listing out the health/hygiene requirements and conditions should be sent to the applicant in advance of the meeting within a specified timeframe (see Note 17 to para. 2.9). However, in one case, despite that clearance had been obtained from all relevant B/Ds confirming that the premises were suitable for licensing, the date of LOR was the working day following the scheduled AVP meeting. Also, in 48 (64%) of the 75 AVP meetings convened, LORs were not issued at the meetings and no draft LORs on health/hygiene requirements and conditions were sent; and
- (d) applicants and/or their representatives attended 65 (87%) of the 75 AVP meetings convened. For the remaining 10 meetings, FEHD did not have information on the identities of the attendees.

## **Processing of applications for new food business licences and permits**

2.18 Upon enquiry, regarding the small percentage of AVP meetings convened (see para. 2.17(a)), FEHD informed Audit in September 2023 that:

- (a) AVP meetings were scheduled on a particular day of a week (e.g. Friday afternoon for Kowloon RLO). In FEHD's view, the number of scheduled AVP meetings should be counted using the number of days with meetings scheduled instead of the total number of applications involved in a particular meeting. The 8,945 AVP meetings shown in Table 6 in paragraph 2.17(a) were scheduled in 777 days, of which some applicants had attended the meetings held in 48 (6.2%) days; and
- (b) it was not uncommon that applicants and/or their representatives informed FEHD that they would not attend the meetings, and therefore the meetings were not convened. While there was no requirement for rescheduling every AVP meeting not convened, RLOs were informed and reminded at the internal meetings to reschedule the AVP meetings upon request of the applicants after they obtained the LORs.

2.19 Audit further examined 30 restaurant licence applications (see para. 2.7) and noted that:

- (a) for all 30 applications, AVP meetings were scheduled within 20 working days after the applications had passed the initial screening. However, all the 30 AVP meetings were not convened and there was no rescheduling of the meetings. According to FEHD, the meetings were not convened because the applicants did not attend the meetings. It was unclear whether there were no such requests from the applicants or they were not aware of the arrangement for rescheduling the meetings upon request; and
- (b) all LORs were dated after the scheduled AVP meetings (i.e. not available for issue at the scheduled meetings — see para. 2.16), ranging from 1 to 188 working days (averaging 52 working days). In most cases, the applicants had submitted revised layout plans, resulting in the longer time required for obtaining clearance from all relevant B/Ds for issuing LORs (see para. 2.8(b)).

## **Processing of applications for new food business licences and permits**

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2.20 The purpose of AVP meetings is to facilitate applicants' understanding of the licensing requirements and conditions by providing a platform for discussion with representatives of B/Ds concerned. However, given the small percentage of meetings convened (i.e. 0.8% — see Table 6 in para. 2.17(a)), this purpose cannot be achieved. In Audit's view, FEHD needs to review the AVP meeting arrangements (e.g. ascertain the reasons for not convening meetings) and the reporting basis of the performance measures for AVP meetings (e.g. whether to count the meetings scheduled but not convened as achieving the target on holding of AVP meetings). FEHD also needs to take measures to ensure that AVP meetings not convened are rescheduled as appropriate.

### ***Need to step up efforts in reminding applicants to comply with licensing requirements in a timely manner for issue of licences***

2.21 The applicant should report compliance with the licensing requirements in LOR to the RLO concerned for verification (i.e. notification of compliance) as soon as all the requirements have been complied with. The maximum times allowed for compliance are as follows:

- (a) for a full licence without provisional licence issued, 12 months after the issue of the LOR; and
- (b) for provisional licence, 3 months after the expiry of the licence (Note 27).

The application will be deemed withdrawn after the specified period unless the applicant can demonstrate that the delay in meeting the licensing requirements is due to factors beyond his/her reasonable control.

2.22 Under the current practice, if no notification of compliance is received, the case manager will conduct a progress inspection to the premises within the first 3 months upon the issue of LOR to offer advice to the applicant. Furthermore, FEHD has taken measures to remind applicants to comply with the licensing requirements within the specified timeframes, including:

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**Note 27:** *For applications for new food business licences received before 1 March 2023, the time allowed was 6 months after the expiry of the provisional licence.*

## **Processing of applications for new food business licences and permits**

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- (a) subsequent to the progress inspection, quarterly reminder letter(s) will be sent to the applicant. A final reminder letter will be issued upon expiry of provisional licence (if issued) or 9 months from the date of issue of LOR for a full licence without provisional licence issued; and
- (b) since 1 January 2019, the application forms for food business licences have been revised with a field for applicants and representatives to fill in mobile phone numbers for receiving short message service (SMS) notifications 90, 60 and 30 days prior to expiry of provisional licence (if any), and upon approval for the issue of full licence. The applicants may opt whether or not to receive SMS notifications.

2.23 Audit examination of the 50 applications found that the quarterly and/or final reminder letters were not issued timely in 32 (64%) applications. For the SMS notification service, according to FEHD, 46% of the applicants for full food business licences in 2022 had opted to receive SMS notifications.

2.24 In Audit's view, FEHD needs to step up efforts in reminding applicants to comply with the licensing requirements within the specified timeframes for the issue of food business licences, including issuing reminder letters timely and encouraging the use of SMS notification service.

### ***Need to improve timeliness of conducting inspections and take prompt follow-up actions***

2.25 Officers of FEHD conduct inspections to ensure that the premises are suitable for operating food businesses. The timeframes for conducting inspections for new food business licence applications stipulated in FEHD's guidelines are as follows (see Table 7 in para. 2.26):

- (a) ***First site inspection.*** It shall be conducted before the AVP meeting (or within 7 working days of acceptance of application for licence types without AVP meeting — see Note 25 to para. 2.16) to come to an initial view as to whether the premises are suitable for operating food businesses and to give professional advice;

## **Processing of applications for new food business licences and permits**

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- (b) ***Progress inspection(s).*** It shall be conducted to offer advice on-site within the first 3 months upon the issue of LOR if no notification of compliance is received. For restaurant licences, a progress inspection to the premises shall be conducted within 1 month after the issue of provisional restaurant licence; and
- (c) ***Final verification inspection.*** After receipt of the notification of compliance, the case manager will inspect the premises and check if all the licensing requirements are complied with. A final verification inspection shall be conducted by Senior Health Inspector within 8 working days of receipt of notification of compliance before the issue of full licence.

2.26 ***Need to ensure that inspections to food premises are conducted in accordance with specified timeframes.*** Audit examination of the 50 applications found that:

- (a) inspections were not always conducted according to the specified timeframes and progress inspections were not conducted for some applications (see Table 7); and
- (b) FEHD has set performance measures for conducting inspections, namely, conducting final verification inspection within 8 working days of receipt of notification of compliance (see para. 2.25(c) and item 7 in Table 12 in para. 3.31); and for non-restaurant licences, conducting first site inspection within 7 working days of acceptance of licence application for further processing (see para. 2.25(a) and item 6 in Table 12 in para. 3.31). However, the cases in which the time taken exceeded the timeframes for conducting the inspections were not reflected in the reported achievement of the related performance measures (see para. 3.32(c)).

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**Table 7**

### Audit's findings on FEHD inspections to food premises (2021 to June 2023)

Type	Timeframe	Inspection not conducted within timeframe (Number of applications)	Exceeded timeframe (Working day)
First site inspection			
Restaurant licences	Before AVP meeting	4 (13%) of 30 applications (Note 1)	11 to 81
Non-restaurant licences	7 working days of acceptance of application	6 (30%) of 20 applications (Note 1)	1 to 29
Progress inspection (if no notification of compliance was received)			
All licences	3 months after issue of LOR	15 (41%) of 37 applications (Note 2)	2 to 327
		17 (46%) of 37 applications (Note 2)	Not conducted
Restaurant licences	1 month after issue of provisional licence	14 (48%) of 29 applications (Note 3)	2 to 102
		14 (48%) of 29 applications (Note 3)	Not conducted
Final verification inspection			
All licences	8 working days of receipt of notification of compliance	1 (2%) of 50 applications	1

Source: Audit analysis of FEHD records

Note 1: These included 4 applications for restaurant licences and 1 application for non-restaurant licence which had exceeded the timeframes. According to FEHD, the responsible staff had tried to arrange the first site inspections with the applicants, but were informed that the premises were not yet available for inspections within the timeframe.

Note 2: Of the 50 applications, 37 applications did not submit notification of compliance.

Note 3: Of the 30 applications for restaurant licences, 29 applications also applied for provisional licences.

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2.27 In Audit's view, FEHD needs to take measures to ensure that inspections for checking the suitability of the premises for operating food businesses are conducted in accordance with the timeframes set out in its guidelines, subject to the availability of the applicants and the readiness of the premises. It also needs to take measures to ensure that the achievement of the related performance measures is accurately reported.

2.28 *Need to follow up promptly on non-compliances identified during inspections.* As stipulated in the Food Business Regulation, no person can carry on a food business without licence granted by FEHD. Audit accompanied 10 inspections to food premises conducted by FEHD from June to August 2023 and noted that in 2 inspections, food businesses were operating prior to the grant of provisional licences, i.e. suspected unlicensed food premises. According to FEHD's guidelines, RLOs are required to notify the DEHOs concerned as soon as practicable if unlicensed food premises are detected prior to issue of licences. However, for these 2 inspections, there was no documentation showing that referrals had been made to the DEHOs concerned for follow-up actions as of August 2023.

2.29 Audit considers that FEHD needs to take measures to ensure that RLOs refer cases of suspected unlicensed food premises to DEHOs timely for taking follow-up actions.

## **Audit recommendations**

2.30 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to ensure timely referrals of food business licence applications to other relevant B/Ds and DEHOs for comments, including ensuring that the timeframes specified in the guidelines are met;**
- (b) **take measures to ensure that revised layout plans are processed in a timely manner;**



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- (c) take measures to improve collaboration with other relevant B/Ds and among FEHD's offices in processing of food business licence applications, including:**
  - (i) sending reminders to other relevant B/Ds and FEHD's responsible offices in a timely manner when there are delays in receiving comments and incorporating the relevant requirements in guidelines;**
  - (ii) taking measures to reduce the time lags in sending referrals to and receiving comments from other relevant B/Ds; and**
  - (iii) encouraging other relevant B/Ds to use the electronic-referral system;**
- (d) take measures to improve the referral mechanism for processing food business licence applications, including avoiding making referrals to other B/Ds unnecessarily, and taking into account the operational needs of FEHD and other relevant B/Ds in stipulating the timeframes for providing comments on licence applications in FEHD's guidelines;**
- (e) review the AVP meeting arrangements (e.g. ascertain the reasons for not convening meetings) and take measures to ensure that AVP meetings not convened are rescheduled as appropriate;**
- (f) step up efforts in reminding applicants to comply with the licensing requirements within the specified timeframes for the issue of food business licences, including issuing reminder letters timely and encouraging the use of SMS notification service;**
- (g) take measures to ensure that inspections for checking the suitability of the premises for operating food businesses are conducted in accordance with the timeframes set out in FEHD's guidelines; and**
- (h) take measures to ensure that RLOs refer cases of suspected unlicensed food premises to DEHOs timely for taking follow-up actions.**

2.31      **Audit has *recommended* that the Secretary for Housing, the Director of Buildings, the Director of Drainage Services, the Director of Electrical and Mechanical Services, the Director of Environmental Protection, the Director of Fire Services, the Commissioner for Labour, the Director of Lands and the Director of Planning should take measures to ensure that comments are provided to FEHD for processing food business licence applications in a timely manner (e.g. consider using the electronic-referral system).**

### **Response from the Government**

2.32      The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that actions are in hand to take forward an electronic application referral mechanism among the relevant B/Ds. FEHD will also review its various guidelines and timeframes so as to enhance the practicability and facilitate compliance. In particular, FEHD will review the arrangements of AVP meetings so that licence applicants are provided with the services they need.

2.33      Regarding the audit recommendation in paragraph 2.31:

- (a)      the Secretary for Housing generally agrees with the audit recommendation. She has said that ICU of HB has joined FEHD's electronic-referral system since its first implementation in May 2023. The case referral dates are now more precisely recorded and improvement on this aspect is noted. ICU of HB will also implement enhancement measures including:
  - (i)      strengthening management control in case monitoring by issuing weekly reports for case officers and their supervisors, highlighting due dates for preparation of timely replies;
  - (ii)     enhancing the information technology system to issue electronic reminders to case officers and their supervisors before the due dates; and
  - (iii)    enhancing communication with FEHD when additional details or information are required for prompt processing of cases within the pledged time;

## **Processing of applications for new food business licences and permits**

- (b) the Director of Buildings agrees with the audit recommendation. She has said that the electronic-referral system under LMIS 2 has been implemented since May 2023. In addition, BD has reminded its staff to provide comments to FEHD in a timely manner and is exploring to enhance its computer system to monitor the progress of referrals automatically with alert functions;
- (c) the Director of Drainage Services agrees with the recommendation. He has said that the Drainage Services Department will consider the adoption of the electronic-referral system, with a view to expediting the process in the future;
- (d) the Director of Electrical and Mechanical Services agrees with the audit recommendation. He has said that although the Electrical and Mechanical Services Department currently has not been consulted or invited to join FEHD's electronic-referral system, it will eagerly work with FEHD and sort out the data interfacing and capability issues of the department's systems, if any, once FEHD is ready to expand the system to accommodate more B/Ds and adopt the system once it is available from FEHD;
- (e) the Director of Environmental Protection agrees with the audit recommendation. He has said that EPD will advise FEHD timely of the misdirection of referral and consider the adoption of the electronic-referral system, with a view to expediting the process in the future;
- (f) the Director of Fire Services agrees with the audit recommendation. He has said that FSD:
  - (i) always facilitates the food business licences application process and issues timely reply by adopting a pragmatic approach in the deployment of manpower and work arrangement within its resources; and
  - (ii) has suggested to FEHD the use of electronic means so that comments could be provided to FEHD for processing in a timely manner, and will continue to work closely with FEHD in this respect to facilitate the processing of food business licence applications in a timely manner;

## **Processing of applications for new food business licences and permits**

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- (g) the Commissioner for Labour agrees with the audit recommendation. She has said that the Labour Department has always been working in the direction to take measures to ensure that comments are provided to FEHD for processing food business licence applications in a timely manner, and also welcomes the use of the electronic referral system when FEHD is ready for it;
- (h) the Director of Lands agrees with the audit recommendation. He has said that while LandsD has not yet been approached by FEHD for the launch of data interface for the electronic-referral system, the department stands ready to be engaged and use the system when it is in place. LandsD will also liaise with FEHD of a reasonable timeframe for LandsD to provide comments for food business licences in view of the need for site inspections and examination of the leases of the premises under applications and any relevant history, and will take measures to remind its staff to provide comments within the timeframe in a timely manner; and
- (i) the Director of Planning agrees with the audit recommendation. He has said that streamlined arrangements have been put in place between PlanD and FEHD to expedite referrals since 2018 and the list of non-referral cases (i.e. cases that referral of food business licence applications to PlanD is not required) has been updated bi-annually. PlanD stands ready to work with FEHD to enhance the coordination.

## **Processing time for issuing new food business licences**

### ***Need to improve reporting of processing time for new food business licences***

2.34 From time to time, there were enquiries (e.g. from the Members of the Legislative Council (LegCo)) about the average processing time for issuing food business licences. According to FEHD, the processing time represents the number of working days from the date of first receipt of the application to the date of approval for issue of a full licence. Table 8 shows the average processing times for issuing new full food business licences (also see Appendix C for the average processing times for issuing new provisional food business licences and restricted food permits for the period 2018 to 2022).

## Processing of applications for new food business licences and permits

**Table 8**

**Average processing times for issuing new full food business licences  
(2018 to 2022)**

Licence (Note 1)	2018	2019	2020	2021	2022
	(Working day)				
General restaurant	170	170	166	172	173
Light refreshment restaurant	170	169	168	173	173
Food factory	158	161	154	166	162
Fresh provision shop	160	147	131	166	154
Bakery	166	160	162	164	161
Factory canteen	247	212	231	211	217
Frozen confection factory (Note 2)	142	142	91	167	138
Siu mei and lo mei shop	175	141	139	163	166
Cold store	118	241	228	202	199

*Source: FEHD records*

*Note 1: According to FEHD, for the period 2018 to 2022, no application for marine restaurant licence, milk factory licence and composite food shop licence was received and approved in the same year (see also para. 2.35).*

*Note 2: According to FEHD, the shorter average processing time for frozen confection factory licence in 2020 was mainly due to the very short processing times for 2 applications (i.e. 43 and 47 working days).*

**2.35 Need to include all applications in calculation of processing time.** Upon enquiry about the basis of calculation of the processing times for new full food business licences in Table 8 in paragraph 2.34, FEHD informed Audit in July 2023 that it was based on applications received and approved in the same year. In other words, applications approved in the calendar year(s) subsequent to the year of application were excluded.

## Processing of applications for new food business licences and permits

2.36 Based on the data in LMIS, Audit calculated the average processing times of restaurant licence applications for 2018 to 2022, including those completed in year(s) subsequent to the year of application (see Table 9) and noted that:

**Table 9**

### Calculation of average processing times for restaurant licence applications (2018 to 2022)

	2018	2019	2020	2021	2022
	(Working day)				
<i>Full restaurant licence</i>					
Reported by FEHD (a)	170	170	167	172	173
Audit’s calculation (b)	229	217	224	212	187
Discrepancy (c)=(b)–(a)	59	47	57	40	14
<i>Provisional restaurant licence</i>					
Reported by FEHD (d)	50	48	54	59	61
Audit’s calculation (e)	74	76	74	69	59
Discrepancy (f)=(e)–(d)	24	28	20	10	- 2

Source: Audit analysis of FEHD records

- (a) the average processing time for issuing full restaurant licences showed a decreasing trend from 229 working days in 2018 to 187 working days in 2022, and that for provisional restaurant licences from 74 working days in 2018 to 59 working days in 2022; and
- (b) compared to the average processing time reported by FEHD, the discrepancies for each year ranged from 14 to 59 working days for full restaurant licences, and 2 to 28 working days for provisional restaurant licences.

In response to the enquiry about the discrepancy in (b), FEHD further informed Audit in September 2023 that it had also excluded applications with exceptionally long processing times in its calculation, including cases that exceeded the grace period of 12 months after the issue of LOR or 6 months after the expiry of provisional licences (see para. 2.21). There should be reasons behind that these exceptional cases had not

## **Processing of applications for new food business licences and permits**

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been deemed withdrawn within the specified timeframe. In Audit's view, to provide a more complete picture of the processing time of applications and facilitate monitoring, the processing times of such cases should also be calculated and monitored.

**2.37     *Need to compile management information on food business licence processing time regularly.*** The time taken in issuing food business licence can be long. For example, according to FEHD's information, average processing times for different types of full food business licences in 2022 ranged from 138 to 217 working days (see Table 8 in para. 2.34). According to FEHD:

- (a) the processing time for an application varied from case to case because it was mainly contingent upon:
  - (i) the progress of the applicant's compliance with the relevant licensing requirements. The average time taken by the applicants to comply with the licensing requirements from the dates of issuing LORs were 99 and 303 working days for provisional licences and full licences respectively;
  - (ii) whether there were any revisions to the applications (such as revised layout plans submitted by applicants — see para. 2.8(b)) during the application process; and
  - (iii) time taken by other relevant B/Ds in providing comments to FEHD (see paras. 2.12 and 2.13) during the application process;
- (b) the processing times from 2020 to 2022 were also affected by the COVID-19 epidemic during which both FEHD and the applicants faced difficulties in arranging compliance inspections or physical works owing to various social distancing and quarantine measures (e.g. staff subject to quarantine/isolation orders); and
- (c) FEHD conducted a review on its manpower in 2018 and found that due to increase in workload, the three RLOs experienced a manpower shortage of the Senior Health Inspector grade and Health Inspector grade staff of 5 (56%) and 20 (45%) respectively. The shortage was filled progressively from late 2019 to October 2022 while there was still a shortage of 6 (10%)

## **Processing of applications for new food business licences and permits**

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Health Inspector grade staff. The manpower shortage problem was gradually alleviated and resulted in a decreasing trend in processing time for issuing food business licences (see para. 2.36(a)).

2.38 Audit noted that while FEHD has set performance measures on some of the stages in the food business licence application process (see para. 3.31), there was no timeframe set on the overall processing times for most types of food business licences (Note 28). In this connection, Audit also noted that other than reporting of average processing time upon request (e.g. enquiries from the Members of LegCo), there is no regular reporting on the average processing time for issuing food business licences for monitoring purposes.

2.39 In Audit's view, to facilitate monitoring, FEHD needs to: (a) compile management information on the processing time for food business licence/permit applications regularly and ensure that all applications are included in the calculation; and (b) monitor the processing times for food business licence/permit applications, in particular cases with longer processing times with a view to formulating measures to expedite the process as far as practicable.

## **Audit recommendations**

2.40 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **compile management information on the processing time for food business licence/permit applications regularly and ensure that the processing time of all applications are monitored, including cases with exceptionally long processing times and applications approved in the calendar year(s) subsequent to the year of application; and**
- (b) **monitor the processing times for food business licence/permit applications, in particular cases with longer processing times with a view to formulating measures to expedite the process as far as practicable.**

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**Note 28:** *According to FEHD's guidelines, issue of provisional general restaurant licences may take about 5 weeks (i.e. about 25 working days).*



## Response from the Government

2.41 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD will enhance the existing LMIS 2 to keep track of the processing time and generate management reports for the monitoring of the food business licence/permit application process.

## Processing of applications for new restricted food permits and outside seating accommodation permissions

### *Need to enhance monitoring of processing of restricted food permit applications*

2.42 Applications for new online sale of restricted food permits are processed by RLOs while other types of restricted food permits are processed by DEHOs (see para. 1.10(b)). There were some 3,600 applications and some 2,200 applications for restricted food permits received in 2021 and 2022 respectively (see Table 3 in para. 2.6). The guidelines on processing applications for permits by DEHOs and RLOs stipulate, among other things, timeframes of the various procedures for processing the applications. Audit examined 10 applications for new restricted food permits received in 2021 and 2022 with long processing times (Note 29) and noted that (see Appendix D):

- (a) in 1 of the 8 applications for other types of restricted food permits examined, there was no documentation showing that a site inspection had been conducted before receipt of the notification of compliance; and
- (b) in 2 applications for online sale of restricted food permits and 7 of the 8 applications for other types of permits, the timeframes for processing the applications were not always complied with. For example, while the case manager should inspect the premises within a specified timeframe

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**Note 29:** *The 10 applications comprised 2 applications for online sale of restricted food permits and 8 applications for other types of restricted food permits. The applications selected were with long processing times (i.e. longer than the average processing times for the relevant permit types), which were on average 176 working days for the 2 applications for online sale of restricted food permits, and 318 working days for the 8 applications for other types of restricted food permits.*

## **Processing of applications for new food business licences and permits**

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(see Note 17 to para. 2.9) upon receipt of notification of compliance, in 5 (71%) of the 7 applications for other types of restricted food permits, there were delays in conducting the inspections, ranging from 4 to 20 working days (averaging 8 working days).

2.43 In Audit's view, FEHD needs to enhance monitoring of the compliance with the timeframes set out in its guidelines for processing applications for restricted food permits. FEHD also needs to ensure that proper documentation is maintained for site inspections conducted for processing restricted food permit applications.

### ***Need to take measures to expedite processing of applications for OSA permissions***

2.44 A restaurant licensee may apply for an inclusion of OSA into existing licensed premises, or an applicant may submit concurrent applications for new restaurant licence and OSA permission. According to FEHD, for the period 2018 to 2022, the average processing times for approving new OSA permissions ranged from 15 to 23 months for inclusion of OSA into existing licensed premises, and from 9 to 19 months for applications made concurrently with new restaurant licences (Note 30). The processing time was contingent upon the comments provided by other relevant B/Ds, and the number of revised layout plans submitted by applicants.

2.45 ***Need to ensure that timeframes set for processing OSA permission applications are met.*** Audit examined 10 applications for OSA permissions with long processing times (including 9 applications for inclusion of OSA into existing licensed premises and 1 application made concurrently with a new restaurant licence — see Appendix E) and noted that:

- (a) according to FEHD, for applications for inclusion of OSA permissions into existing licensed premises, the time required for handling a simple and

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**Note 30:** *According to FEHD, some special cases that need to address complicated land issues (e.g. obtaining approval of the right to use the land concerned from LandsD) were excluded from the calculation of the average processing times. The processing times for these cases ranged from 35 to 66 months (averaging 47 months).*

## **Processing of applications for new food business licences and permits**

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straight forward application is 46 working days (Note 31). FEHD has stipulated in its guidelines the timeframes for the different procedures involved in handling such applications. For the 9 applications examined, the time taken to process each application ranged from 84 to 341 working days (averaging 160 working days), i.e. 38 to 295 working days (averaging 114 working days) more than the 46-day timeframe (Note 32);

- (b) a timeframe of 20 working days is set for receiving comments from other relevant B/Ds on applications for inclusion of OSA permissions into existing licensed premises. However, the time taken in receiving comments from other relevant B/Ds in all 9 applications exceeded this 20-day timeframe by a range of 51 to 195 working days (averaging 104 working days). For the application made concurrently with a new restaurant licence, the time taken to receive comments from the relevant department was 82 working days (Note 33); and
- (c) based on the timeframes stipulated in the guidelines, a performance pledge on processing OSA permission applications was set on issuing LOR (see (a) in Note 37 to para. 2.48). The timeframe was not met in 5 of the 10 applications examined (see item 3 in Appendix E). However, this was not reflected in the report of the achievement of the related performance pledge (see para. 3.32(d)).

2.46 Upon enquiry with other relevant B/Ds about the reasons for the delays in providing comments to FEHD for processing OSA permission applications (see para. 2.45(b)), Audit was informed of the following:

- (a) there were time lags in receiving referrals from and/or sending comments to FEHD (see para. 2.13(a));

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**Note 31:** *According to FEHD, the normal processing time of 46 working days does not include time spent by applicants in replying to queries raised by the B/Ds concerned and taking actions to comply with the licensing requirements.*

**Note 32:** *For the application made concurrently with a new restaurant licence, the processing time was 95 working days.*

**Note 33:** *These involved the long time taken in receiving comments from BD, HAD, PlanD and the Transport Department (see Note 3 in Appendix E). The time taken is calculated based on FEHD records, i.e. from the date of the referral memorandum to the date of receipt of comments by FEHD (see also para. 2.13).*

## Processing of applications for new food business licences and permits

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- (b) longer time was taken to obtain the relevant information and clarify with applicants for more complicated cases (e.g. involving revised layout plans), or miscommunication between FEHD and another department (see para. 2.13(c) and Note 3 in Appendix E);
- (c) impact of the outbreak of the COVID-19 epidemic (see para. 2.13(d)); and
- (d) according to HAD, it took time to communicate and confirm details with FEHD on the scope of local consultation (Note 34). It suggested FEHD to consider revising the timeframe for receiving comments to 20 working days upon agreement of consultation details by both departments (instead of 20 working days upon receipt of request for comments).

2.47 ***Room for improvement in handling local consultations.*** According to FEHD, the processing time for an application for OSA permission is mainly contingent upon the time spent by applicant in complying with the licensing requirements, settling objections raised by the public or other B/Ds concerned, and addressing land issues if any (Note 35). Under current practice, after receiving objections raised by the public or other relevant B/Ds, FEHD informs the applicants of the matters and allows the applicants to submit remedial proposals (e.g. shortening of operating hours) if applicable. Further local consultation may be conducted after the revision of the applications (e.g. on the operating hours and/or other revised documents submitted by applicants). For the 10 applications examined (see para. 2.45), Audit noted that:

- (a) FEHD took 1 to 134 working days (averaging 39 working days) to inform the applicants of the objections received. On average, the applicants took 81 working days to submit the remedial proposals;

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**Note 34:** *According to FEHD, a standard proforma provided by HAD has been used since 2009 for the government departments initiating a local consultation to set out the necessary details about the consultation request.*

**Note 35:** *According to FEHD, HAD assists in conducting local consultation for new OSA permission applications. FEHD may seek comments from other relevant B/Ds where appropriate (e.g. LandsD on land issues and the Transport Department on traffic-related matters) and strike a balance between interests of all relevant stakeholders.*

## **Processing of applications for new food business licences and permits**

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- (b) FEHD took 1 to 47 working days (averaging 19 working days) to refer the applications to HAD for conducting further local consultations. In 5 of 10 applications, 1 to 2 further local consultations were conducted for each application. On average, each further local consultation took 23 working days; and
- (c) the time taken in settling objections (Note 36) ranged from 247 to 557 working days (averaging 434 working days).

2.48 *Need to ensure that inspection is conducted in a timely manner.* FEHD has set performance pledges for processing applications for OSA permissions (Note 37) including conducting a final verification inspection within 8 working days upon receipt of notification of compliance from the applicant. Audit noted that for 1 (10%) of the 10 applications examined, the inspection was conducted 13 working days (i.e. a delay of 5 working days) upon the receipt of notification of compliance. According to FEHD, the delay was because the licensee's authorised person could only arrange the inspection on a date beyond the stipulated timeframe. However, the justification was not documented.

2.49 In Audit's view, FEHD needs to:

- (a) take measures to ensure that the timeframes stipulated in its guidelines for processing OSA permission applications are met, and document the justifications for not meeting the timeframes;

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**Note 36:** *The time taken in settling objections is calculated from the date of receipt of first comment from HAD to the date of approval from Assistant Directors of FEHD for the OSA permission applications.*

**Note 37:** *The performance pledges on processing applications for OSA permissions are:*

- (a) *to issue LOR within 6 working days upon confirmation of the B/Ds concerned that the premises are suitable for licensing as OSA;*
- (b) *to conduct final verification inspection within 8 working days of receipt of notification of compliance with licensing requirements from the applicant; and*
- (c) *to issue OSA approval within 7 working days after confirmation of compliance with all licensing requirements.*

## **Processing of applications for new food business licences and permits**

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- (b) take measures to expedite the process of informing applicants of OSA permission applications of the objections received and referring the applications to other relevant B/Ds for conducting further local consultations (see para. 2.47(a) and (b));
- (c) improve the coordination with other relevant B/Ds in processing OSA permission applications; and
- (d) consider revising the timeframe for receiving comments from other relevant B/Ds for processing OSA permission applications, taking into account the views of other relevant B/Ds and the operational needs as appropriate.

2.50 While noting other relevant B/Ds' explanations (see para. 2.46 and Appendix E), Audit noted that there was scope for improving the timeliness in providing comments by the B/Ds to FEHD for processing applications for OSA permissions (see para. 2.45(b)). Audit considers that the B/Ds concerned (including BD, HAD, PlanD and the Transport Department) need to take measures to ensure that comments are provided to FEHD in a timely manner.

## **Audit recommendations**

2.51 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **enhance monitoring of the compliance with the timeframes set out in FEHD's guidelines for processing applications for restricted food permits;**
- (b) **ensure that proper documentation is maintained for site inspections conducted for processing restricted food permit applications;**
- (c) **take measures to ensure that the timeframes stipulated in FEHD's guidelines for processing OSA permission applications are met, and document the justifications for not meeting the timeframes;**

- (d) **take measures to expedite the process of informing applicants of OSA permission applications of the objections received and referring the applications to other relevant B/Ds for conducting further local consultations;**
- (e) **improve the coordination with other relevant B/Ds in processing OSA permission applications; and**
- (f) **consider revising the timeframe for receiving comments from other relevant B/Ds for processing OSA permission applications, taking into account the views of other relevant B/Ds and the operational needs as appropriate.**

**2.52**      **Audit has *recommended* that the Director of Buildings, the Director of Home Affairs, the Director of Planning and the Commissioner for Transport should take measures to ensure that comments are provided to FEHD in a timely manner for processing OSA permission applications.**

## **Response from the Government**

**2.53**      The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD will review its various guidelines and timeframes so as to enhance the practicability and facilitate compliance.

**2.54**      Regarding the audit recommendation in paragraph 2.52:

- (a) the Director of Buildings agrees with the audit recommendation. She has said that BD has reminded its staff to provide comments to FEHD in a timely manner and is exploring to enhance its computer system to monitor the progress of referrals automatically with alert functions;
- (b) the Director of Home Affairs agrees with the audit recommendation;
- (c) the Director of Planning agrees with the audit recommendation. He has said that streamlined arrangements have been put in place between PlanD and FEHD to expedite referrals since 2018 and the list of non-referral cases

## **Processing of applications for new food business licences and permits**

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(i.e. the protocol specifying the categories of food business licence applications which referrals to PlanD are not required) has been updated bi-annually. PlanD stands ready to work with FEHD to enhance the coordination; and

- (d) the Commissioner for Transport agrees with the audit recommendation.



## **PART 3: MANAGEMENT OF FOOD BUSINESS LICENCES AND PERMITS**

3.1 This PART examines issues relating to the management of food business licences and permits, focusing on the following areas:

- (a) transfer of food business licences and permits (paras. 3.2 to 3.13);
- (b) renewal of food business licences and permits (paras. 3.14 to 3.20);
- (c) management of provisional food business licences (paras. 3.21 to 3.30);  
and
- (d) performance measurement (paras. 3.31 to 3.38).

### **Transfer of food business licences and permits**

3.2 According to the Ordinance, approval from FEHD is required for transfer of food business licences/permits issued. Transfer of food business licences/permits are processed by DEHOs. The major procedures are as follows:

- (a) upon receipt of an application together with the required documents (e.g. declaration on compliance with government lease conditions), the DEHO concerned will seek comments from other relevant B/Ds and other divisions of FEHD (e.g. Intelligence Unit) where appropriate. If there are circumstances that will lead to cancellation of the licence/permit (e.g. with sufficient demerit points or written warnings — see para. 1.13), the application will be rejected or held in abeyance;
- (b) the case manager of DEHO will also visit the premises to check if there are any breaches of licensing requirements and/or conditions, and whether the actual layout and ventilation layout of the premises are in conformity with the approved plans. An interview will be arranged to meet the transferor and proposed transferee, during which the case manager will inform them that all demerit points, verbal/written warnings and penalty records will be carried forward to the new licensee/permittee upon the transfer. The proposed transferee is required to sign a related undertaking; and

## Management of food business licences and permits

- (c) the case manager will report the interview results and recommend to the Senior Health Inspector and the Chief Health Inspector for approving or rejecting the application.

3.3 Table 10 shows the number of applications for transfer of food business licences/permits received/completed in the period from 2018 to 2022.

**Table 10**

**Number of applications for transfer of food business licences/permits received and completed (2018 to 2022)**

Licence/permit	2018	2019	2020	2021	2022
	(Number)				
<i>Applications received</i>					
Food business licences	2,208	1,986	1,553	2,659	2,296
Restricted food permits	89	77	107	68	72
Total	2,297	2,063	1,660	2,727	2,368
<i>Transfers completed (Note)</i>					
Food business licences	2,067	2,082	1,625	2,260	2,429
Restricted food permits	80	78	97	64	73
Total	2,147	2,160	1,722	2,324	2,502

*Source: FEHD records*

*Note: According to FEHD, the number of transfer completed in respective year may include applications for transfer of licences/permits received in previous year(s), as the processing of some applications may not be completed within the same year.*

3.4 FEHD has set three performance pledges on processing transfer of food business licences applications (Note 38). According to FEHD, all of these targets were achieved from 2018 and up to June 2023.

### ***Need to improve reporting of processing time for food business licence/permit transfer applications***

3.5 According to FEHD's replies to the question raised by a Finance Committee Member of LegCo in examining the estimates of expenditure, the average processing time for transfer applications for restaurant licences in 2022 was about 39 working days. Upon enquiry about the basis of calculation of the processing time provided to LegCo, FEHD informed Audit that it was based on applications received and approved in the same year (see also para. 2.35).

3.6 FEHD maintains information on applications for transfer of food business licence/permit applications in LMIS (see para. 1.15(a)), including date of receipt, date of approval, status and outcome of application. Based on the information in LMIS, Audit found that the processing times of transfer applications received in the period 2018 to 2022 (including those completed in year(s) subsequent to the year of application) ranged from 0 to 784 working days (averaging 49 working days).

3.7 Audit visited three DEHOs (Note 39 ) and examined records of 30 applications (10 applications for each DEHO) for food business licence/permit

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**Note 38:** *The three performance pledges on processing transfer of food business licence applications are, within 9 working days from the date of application: (a) to issue letter of approval in principle for 95% of the cases without sufficient demerit points/warning letters; (b) to issue letter of refusal for 95% of the cases with sufficient demerit points/warning letters; and (c) to issue letter of response for 95% of the cases to be held in abeyance pending further clarification.*

**Note 39:** *The three DEHOs visited were Central/Western, Kwun Tong and Sha Tin. Audit visited one DEHO from each of the three Operations Divisions (see para. 1.10(b)) with the largest number of valid food business licences and permits under its purview as at 31 December 2022 to review their operations.*

## Management of food business licences and permits

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transfer received in the period from 2018 to 2023 (up to January) recorded in LMIS (Note 40) and found that:

- (a) 7 (23%) were wrongly classified as transfer cases (e.g. for amendment of particulars such as change of authorised persons); and
- (b) for 4 (13%) applications, the processing time data was incomplete or inaccurate. In one application, the date of approval was not input into LMIS. In the other 3 applications, the discrepancies between the processing times calculated based on the data in LMIS and the case file records ranged from 3 to 10 working days, averaging 6 working days. For example, in one case, the processing time recorded in LMIS was 0 working day (i.e. application was approved on the same day upon receipt on 11 January 2023). However, the records on the case file showed that the actual receipt date was 12 December 2022. Based on the approval date of 28 December 2022, the actual processing time should be 10 working days.

3.8 In Audit's view, to provide complete and accurate management information, FEHD needs to ensure that all applications are included in the calculation of processing time of food business licence/permit transfer applications and take measures to improve the accuracy of the information in LMIS.

### ***Need to enhance monitoring of processing of food business licence/permit transfer applications***

3.9 Of the 30 food business licence/permit transfer applications examined by Audit, the processing times of 12 cases exceeded 180 working days. Audit further examined the case with the longest processing time (i.e. 784 working days — see para. 3.6) and noted that:

- (a) ***Long time taken in issuing letter of response.*** The application for transfer of a frozen confection restricted food permit (for a premises at a petrol filling station) was received by the DEHO concerned on 13 July 2018

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**Note 40:** *The 30 applications selected were mainly with long processing times (i.e. over 180 working days), with very short processing times (i.e. 0 working day), or of a special nature (e.g. withdrawn or rejected applications) based on the data in LMIS.*

(Note 41 ). A letter of response was issued to the applicant on 13 August 2018 (i.e. 21 working days from the date of application). While a performance pledge is set for issuing a letter of response within 9 working days for transfer of licences (see Note 38 to para. 3.4), no performance pledge is set for transfer of permits. The time elapsed from the date of application to the issue of the letter of response was 21 working days (i.e. exceeding the performance pledge set for transfer of licence by 12 working days). FEHD needs to consider setting target processing time for restricted food permits (see para. 3.36);

- (b) ***Need to send referrals to other relevant B/Ds and request for information from applicant timely.*** FEHD's guidelines stipulate that applications for new food business licences/permits for premises at petrol filling stations should be referred to FSD and LandsD for comments. For transfer applications, such referral is not required (see also para. 3.10). On 13 August 2018, the application was referred to the two B/Ds for comments (about 1 month after the receipt of the application). On 11 September 2018, FSD indicated that additional information was needed to provide comments on the application. The DEHO issued a letter on 25 February 2019 (i.e. about 5 months after receiving the reply from FSD) and another letter again on 15 November 2019 to the applicant to request for additional information. On 13 May 2020, the applicant provided and the DEHO referred the additional information to FSD, which subsequently informed the DEHO that it had no specific comments. FEHD needs to take measures to ensure that referrals to other relevant B/Ds and requests for information from applicants are sent timely for processing food business licence/permit transfer applications; and
- (c) ***Delay in seeking approval.*** On 24 June 2020, the case manager conducted an interview with the transferor and proposed transferee (see para. 3.2(b)). However, it was on 14 September 2021 (i.e. about 15 months after the interview) that the case manager reported the interview results and recommended to the Chief Health Inspector for approving the transfer application. Approval for the application was obtained on the same day. In this connection, Audit noted that there was no timeframe set for the

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**Note 41:** *The permittee first submitted the application on 29 November 2017. According to FEHD, the DEHO requested the applicant to re-submit the application due to incorrect information on the application form, together with a photocopy of the applicant's identity document. The DEHO concerned received the revised application on 13 July 2018.*

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submission of interview results for seeking approval for food business licence/permit transfer applications. FEHD needs to consider setting such timeframe in its guidelines.

3.10 ***Different understanding on referral mechanism.*** Audit noted that FEHD and FSD had a different understanding on the referral mechanism for processing food business licence/permit transfer applications involving petrol filling stations, as follows:

- (a) according to FEHD's guidelines, since May 2017, applications for food business licences/permits for premises at petrol filling stations should be referred to FSD and LandsD for comments. In January 2018, it was further elaborated in the guidelines that such referral was not required for transfer applications. In the approval documentation of the case mentioned in paragraph 3.9, it was also stated that the referral to FSD and LandsD was not applicable to the case; and
- (b) upon enquiry, FSD informed Audit in October 2023 that as a petrol filling station posed a much higher risk of fire and explosion than a normal premises (e.g. a shop or store), activities other than vehicle fuel sale, such as food business that might potentially attract a large number of customers, should be monitored and controlled with extra care. Against this background and for the sake of public safety, a referral mechanism had been established with FEHD since May 2017 such that all applications (i.e. new, renewal, alteration and transfer applications included) for food business licences/permits for premises at petrol filling stations should be referred to FSD (i.e. the licensing authority of petrol filling stations under the Dangerous Goods Ordinance (Cap. 295)) for detailed risk assessment. As such, for the case in paragraph 3.9, it was necessary for FEHD for referring the application to FSD for assessments and comments. Under these circumstances, upon receiving the referral, the case officer of FSD made a request for additional information (e.g. a detailed layout plan), conducted on-site risk assessment and gave a reply to FEHD in a timely manner.

3.11 Upon further enquiry, FEHD informed Audit in October 2023 that, taking into account FSD's comments, all applications for food business licences/permits for premises at petrol filling stations (inclusive of transfer and renewal applications)

would be referred to FSD with immediate effect. Audit considers that FEHD needs to update the relevant guidelines according to the agreed referral mechanism with other relevant B/Ds, and take measures to ensure compliance with the guidelines.

### **Audit recommendations**

**3.12**      **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a)      **ensure that all applications are included in the calculation of processing time of food business licence/permit transfer applications;**
- (b)      **take measures to improve the accuracy of the information on food business licence/permit transfer applications in LMIS;**
- (c)      **take measures to ensure that food business licence/permit transfer applications are processed in a timely manner;**
- (d)      **consider setting a timeframe for the submission of interview results for seeking approval for food business licence/permit transfer applications in FEHD's guidelines; and**
- (e)      **update FEHD's guidelines according to the agreed referral mechanism with other relevant B/Ds for processing food business licence/permit transfer applications involving petrol filling stations, and take measures to ensure compliance with the guidelines.**

### **Response from the Government**

**3.13**      The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD will review the basis of calculating the processing time, as well as its various guidelines and timeframes so as to enhance their practicability and facilitate compliance.

### Renewal of food business licences and permits

3.14 A full food business licence is valid for 12 months and renewable, subject to no cancellation or revocation as a result of accumulation of demerit points or breaches of licensing requirements and/or conditions. A restricted food permit is valid for 12 months. In order to continue to operate food businesses upon the expiry of food business licences/permits, licensees/permittees have to submit renewal applications to FEHD. In practice, about 9 weeks prior to licence/permit expiry, the DEHO concerned issues a Notice of Renewal of Licence/Permit to the licensee/permittee. Upon submission of an application for renewal together with the required documents and payment of prescribed fee, a renewed licence/permit will be issued. Table 11 shows the number of food business licences/permits renewed in the period from 2018 to 2022.

**Table 11**  
**Number of food business licences/permits renewed**  
**(2018 to 2022)**

Licence/permit	2018	2019	2020	2021	2022
	(Number)				
Food business licences	24,546	26,029	27,195	28,257	29,682
Restricted food permits	6,610	7,152	7,404	7,885	9,549
Total	31,156	33,181	34,599	36,142	39,231

Source: FEHD records

### *Need to enhance renewal procedures for food business licences/permits*

3.15 According to FEHD, food business licensees/permittees are required to submit identity proofs on application for renewal, i.e. photocopy of identity document if the licensee/permittee is a natural person. On the other hand, a corporate licensee/permittee is required to submit a photocopy of the certificate of incorporation as supporting documents (in addition to the photocopy of identity document of the authorised person). There is no requirement for documents proving the validity of its corporate status (e.g. latest business registration). Audit noted a case in which a



corporate licensee was dissolved at the time of licence renewal and therefore not eligible to hold the licence, but managed to successfully renew the licence (Note 42).

3.16 In Audit's view, FEHD needs to enhance the renewal procedures for food business licences/permits to ensure that only eligible applicants can renew their licences/permits.

### ***Need to take timely follow-up actions for non-renewal of food business licence/permit cases***

3.17 Non-renewal of food business licences/permits is one of the sources for FEHD to detect unlicensed food premises. According to FEHD's guidelines, if a licence/permit is not renewed before the expiry date, FEHD will take follow-up actions as follows:

- (a) ***Issuance of reminder letter.*** On a half-monthly basis, DEHOs will identify non-renewed expired food business licences/permits for issuing letters by ordinary post to the licensees/permittees reminding them to renew the licences/permits (i.e. reminder letters). Applications for renewal should be made within a specified timeframe (see Note 17 to para. 2.9) from the service of the letter (i.e. first warning period). For licence/permit still not renewed, on the first working day after the first warning period, DEHOs will issue a final warning letter by registered post to inform the licensee/permittee that if the renewal application is not received within a specified timeframe from the date of the letter, the right to renew will be revoked without further notice (i.e. final warning period);
- (b) ***Recommendation for revocation of right to renew.*** If the case is still not renewed after the final warning period, the case manager will recommend to the Chief Health Inspector to revoke the right to renew on the first working day after the final warning period;

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**Note 42:** *The corporate licensee was dissolved in April 2019, but successfully renewed the food business licence in May 2019 and May 2020.*

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- (c) ***Endorsement for revocation of right to renew.*** The recommendation to revoke the right to renew should be endorsed (if appropriate) by the Chief Health Inspector within a specified timeframe from the date of recommendation;
- (d) ***Issuance of letter for revocation.*** A letter of revocation of the right to renew licence/permit will be issued to the ex-licensee/permittee at the last known address by registered post within a specified timeframe after the endorsement for revocation; and
- (e) ***Site inspection.*** The case manager will carry out a site inspection to the premises to check if there is any unlicensed business in operation, and in such case, follow-up actions on unlicensed food premises will be taken.

3.18 Audit randomly selected 15 cases (5 cases from each of the three DEHOs visited — see Note 39 to para. 3.7) of non-renewal of food business licence/permit cases in 2022 and 2023 (up to April) for examination and noted that, while the reminder letters (see para. 3.17(a)) were sent timely according to the guidelines, there were delays in some of the follow-up actions:

- (a) ***Delay in making recommendation for revocation (see para. 3.17(b)).*** While case managers should make the recommendation for revocation on the first working day after the final warning period, there were delays in 8 (53%) cases, ranging from 1 to 65 working days (averaging 27 working days);
- (b) ***Delay in making endorsement for revocation (see para. 3.17(c)).*** The endorsement for revocation should be made within a specified timeframe from the date of recommendation. However, there were delays in 6 (40%) cases, ranging from 1 to 16 working days (averaging 4 working days); and
- (c) ***Delay in issuing letter for revocation (see para. 3.17(d)).*** While the letter should be sent within a specified timeframe after the endorsement for revocation, there were delays in 2 (13%) cases, ranging from 3 to 5 working days (averaging 4 working days).

In Audit's view, FEHD needs to take measures to ensure that the timeframes for follow-up actions for non-renewal of food business licence/permit cases are met.

### Audit recommendations

3.19 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) enhance the renewal procedures for food business licences/permits to ensure that only eligible applicants can renew their licences/permits; and
- (b) take measures to ensure that the timeframes for follow-up actions for non-renewal of food business licence/permit cases are met.

### Response from the Government

3.20 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that, more specifically, FEHD plans to enhance the renewal procedures by requiring corporate licensee/permittee to confirm in the application form that the company registration is still valid. Any person making a false declaration will be criminally liable and the licence/permit will be cancelled. FEHD will conduct risk-based verification checks.

### Management of provisional food business licences

3.21 FEHD operates a provisional licensing system to enable applicants to operate food businesses on a provisional basis pending the issue of a full licence. A provisional food business licence is valid for 6 months (see para. 1.4). FEHD may in exceptional circumstances renew a provisional food business licence before it expires, for a further period not exceeding 6 months, if it is satisfied that the non-compliance with the outstanding requirements for the issue of a full licence is due to factors beyond the reasonable control of the licensee.

3.22 To prevent abuse of provisional licences, FEHD has taken the following measures:

- (a) since August 2006, FEHD will reject application for provisional licence made by a person who has been issued with a provisional food business

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licence of the same business nature at the same premises within 3 years from expiry date of that provisional food business licence; and

- (b) starting from April 2016, for a premises where the former licensee (or his/her business partner/proprietor) had the last provisional licence lapsed without obtaining a related full licence in the last 12 months preceding the date of new licence application, such application for provisional licence will not be processed unless the applicant could provide documentary proof (e.g. a declaration) showing that he/she has no business connection with the former licensee (or his/her business partner/proprietor).

In this connection, RLOs refer applications for new food business licences to the relevant DEHOs for requesting information in respect of the premises concerned (see para. 2.8(a)), such as whether the applicant is a former licensee of the premises.

### ***Room for improvement in issuing reminder letters to provisional food business licensees***

3.23 FEHD's guidelines stipulate that letters should be issued to licensees within a specified timeframe (see Note 17 to para. 2.9) before the expiry of the provisional food business licences as a reminder (i.e. reminder letters), so that licensees could arrange follow-up actions in good time to comply with all licensing requirements for the issue of a full licence during the remaining validity period of the provisional licence (Note 43).

3.24 Of the 50 applications examined by Audit (see para. 2.7), 48 applications were issued with both full and provisional licences. Audit noted that:

- (a) in 13 (27%) applications, no reminder letters were issued;
- (b) in 16 (33%) applications, reminder letters were issued within the specified timeframe before the expiry of the provisional licences; and

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**Note 43:** *According to FEHD, apart from the reminder letters, it will also send reminder e-mails to licensees of provisional licences when the licences are due to expire in 60 and 30 days, and SMS notifications when the licences are due to expire in 90, 60 and 30 days (see para. 2.22(b)).*

- (c) in 19 (40%) applications, reminder letters were issued earlier than the specified timeframe, ranging from 65 to 72 calendar days (averaging 68 calendar days) before the expiry of the provisional food business licences.

3.25 In Audit's view, FEHD needs to take measures to ensure that reminder letters are issued to provisional food business licensees in a timely manner.

### ***Room for improvement in handling conversion of provisional food business licences to full licences***

3.26 Prior to 1 March 2023, the maximum time allowed for licensees of provisional licences to comply with all the licensing requirements for the issue of full licences (referred to as the grace period) was 6 months after the expiry of the provisional licences (3 months after the expiry from 1 March 2023 — see Note 27 to para. 2.21(b)). The application is deemed withdrawn after the grace period, unless the licensee can demonstrate that the delay in meeting the licensing requirements is due to factors beyond his/her reasonable control. Applicants are informed of the grace period in the quarterly and final reminder letters (see para. 2.22(a)).

3.27 Audit examined 48 new full food business licence applications with provisional licences issued (see para. 3.24) and found that in some cases, the grace period for conversion from provisional food business licences to full licences (i.e. 6 months as the applications for the licences were received before 1 March 2023 — see Note 27 to para. 2.21(b)) had been extended. However, there was no documentation on the justifications for extending the grace period. The details are as follows:

- (a) in 12 (25%) applications, full licences were issued after the end of the grace period, ranging from 11 to 183 working days (averaging 89 working days). However, there was no documentation on the justifications for doing so (e.g. delay due to factors beyond reasonable control of the licensees); and
- (b) in 2 (4%) applications, final reminder letters were issued, providing each of the applicants an extended period (i.e. about 5 months and 8 months respectively) after the end of the grace period. However, there was no documentation on the justifications for doing so.

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3.28 In Audit's view, FEHD needs to take measures to ensure that the justifications for extending the grace period for conversion from provisional food business licences to full licences are documented.

### Audit recommendations

3.29 Audit has *recommended* that the Director of Food and Environmental Hygiene should take measures to ensure that:

- (a) reminder letters are issued to provisional food business licensees in a timely manner; and
- (b) the justifications for extending the grace period for conversion from provisional food business licences to full licences are documented.

### Response from the Government

3.30 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations.

### Performance measurement

3.31 FEHD has set performance targets on licensing of food premises in the Controlling Officer's Report (Note 44). In addition, it publishes performance pledges on processing applications for food business licences and OSA permissions on its website. Examples of the performance measures (including targets and pledges) on processing applications for new food business licences are shown in Table 12 (see also Note 37 to para. 2.48 for performance pledges on OSA permission and Note 38 to para. 3.4 for performance pledges on transfer of food business licence/permit applications).

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**Note 44:** *Apart from the performance targets, FEHD also sets performance indicators on licensing of food premises, including numbers of restaurant licences, other food-related licences (e.g. liquor, food factory, bakery), restricted food permits, applications for new food business licences and applications for new restricted food permits.*

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**Table 12**

**Examples of performance measures  
on processing applications for new food business licences  
(2021 and 2022)**

Performance measure	Target/ pledge	Actual	
		2021	2022
<i>In Controlling Officer's Report</i>			
1. Holding of AVP meeting for restaurant licences within 20 working days from passing of initial screening	99 %	100 %	100 %
2. Issuing of food business licences within 7 working days from confirmation of compliance (Note 1)	99 %	99 %	100 %
3. Issuing of provisional licences within 1 working day from receipt of acceptable certificates of compliance for submissions over the counter (Note 1)	99 %	100 %	100 %
<i>On FEHD's website</i>			
4. For restaurant licences, issuing of LOR at AVP meeting upon confirming that the premises are suitable for licensing	98 %	100 %	100 %
5. For non-restaurant food business licences, issuing of LOR within 7 working days upon receipt of confirmation from B/Ds concerned that the premises are suitable for licensing	95 %	100 %	100 %
6. For non-restaurant food business licences, conducting inspection to the premises (i.e. first site inspection) within 7 working days of acceptance of licence application for further processing	95 %	100 %	100 %
7. Conducting final verification inspection within 8 working days of receipt of notification of compliance (Note 1)	95 %	100 %/ 99 % (Note 2)	100 %/ 99 % (Note 2)

*Source: Audit analysis of FEHD records*

*Note 1: These performance measures are also reported separately for restaurant licences and non-restaurant licences on FEHD's website.*

*Note 2: The achievement of the performance pledge was 100% for restaurant licences and 99% for non-restaurant licences.*

### *Need to improve performance reporting relating to licensing of food premises*

3.32 According to FEHD, all the performance targets and pledges set for food business licensing were met in 2018 to 2022. However, Audit examination of 50 applications for new food business licences (comprising 30 restaurant licence applications and 20 non-restaurant licence applications — see para. 2.7) and 10 applications for new OSA permissions (see para. 2.45) revealed instances where the performance measures were not achieved but FEHD reported an achievement of 100% in its Controlling Officer's Report or website, including:

- (a) for restaurant licences, LOR was not available for issue at an AVP meeting scheduled despite confirming that the premises was suitable for licensing (see para. 2.17(c) and item 4 in Table 12);
- (b) for non-restaurant licences, LORs shall be issued within 7 working days upon receipt of confirmation from the B/Ds concerned that the premises are suitable for licensing (see item 5 in Table 12). This timeframe was not met in 2 (10%) (Note 45) of the 20 applications examined;
- (c) first site inspections were not conducted in 6 (30%) of 20 applications for non-restaurant licences within 7 working days of acceptance of the applications (see para. 2.26(b) and item 6 in Table 12); and
- (d) in 5 (50%) of the 10 applications for new OSA permissions, LORs were not issued to the applicants within the specified timeframe when other relevant B/Ds had no in-principle objection (see para. 2.45(c)).

In this connection, Audit noted that the Headquarters Division mainly compiled the statistics for reporting FEHD's performance based on the quarterly returns submitted by RLOs and DEHOs (Note 46).

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**Note 45:** *Excluding one application where LOR was issued on the 11th working day upon receipt of confirmation from other relevant B/Ds as the applicant submitted revised layout plans prior to the issue of LOR.*

**Note 46:** *For compilation of the relevant statistics, RLOs and DEHOs need to maintain and report the total number of cases processed, and the number of cases meeting or not meeting the performance measures in a standard template.*



3.33 Regarding the reporting basis of the performance measures, Audit also noted the following:

- (a) in reporting the achievement of the performance measure of “holding of AVP meeting for restaurant licences within 20 working days from passing of initial screening for 99% of applications” in FEHD’s Controlling Officer’s Report (see item 1 in Table 12 in para. 3.31), AVP meetings scheduled but not convened were counted as meeting the target (see para. 2.17(b)); and
- (b) upon the approval of issue of food licence by the approving officer (Chief Health Inspector grade staff of the FEHD), FEHD issues a letter of approval to inform the applicant that the application for food business licences has been approved and the licence will be issued upon payment of the prescribed fees. In examining the records of reporting of the performance measure of “issuing of food business licences within 7 working days from confirmation of compliance” in FEHD’s Controlling Officer’s Report (see item 2 in Table 12 in para. 3.31), Audit noted that, based on the date of the letter of approval issued to applicants, the timeframe was not met in 8 (16%) of the 50 applications examined (comprising 1 application completed in 2022 and 7 applications completed from January to June 2023). Upon enquiry, FEHD informed Audit in September 2023 that the figures were based on the date of approval by the approving officer (which was the licence commencement date), instead of the issue date of the letter of approval to applicants. As the wording “issuing of food business licences” is not clearly defined, there are merits for FEHD to consider reviewing the reporting basis of the performance measures in its Controlling Officer’s Report and take follow-up actions as appropriate (e.g. clarify the definition of “issuing of food business licences”).

3.34 Audit noted that FEHD’s performance reporting process involved a lot of manual procedures. It was time consuming, prone to errors and resource intensive. To enhance operational efficiency and monitoring, FEHD needs to take measures to improve the procedures in reporting its performance on processing food business licence/permit applications, including exploring the use of technology (e.g. make use of LMIS) to facilitate the reporting process and enhancing data checking procedures so as to ensure that the achievement of performance measures is accurately reported. In light of the audit findings in paragraph 3.33, FEHD also needs to consider

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reviewing the reporting basis of the performance measures for AVP meetings (e.g. whether to count the meetings scheduled but not convened as achieving the target on holding of AVP meetings) and issue of food business licence (e.g. clarify the definition of “issuing of food business licences”) in its Controlling Officer’s Report and take follow-up actions as appropriate.

### ***Need to review performance measures for processing food business licences/permits***

3.35 According to FEHD, the existing performance measures are the minimal level of targets that FEHD aims at achieving, and it would assess regularly the performance against these targets and update the targets to meet rising expectations of the users.

3.36 Currently, all the performance measures published by FEHD are on processing applications for full or provisional food business licences but not for restricted food permits. Based on the information provided by FEHD, for the period 2018 to 2022, the average processing times of issuing different types of restricted food permits ranged from 33 to 136 working days (see Appendix C), and that some of the processing times were comparable to those of licences (e.g. in 2022, 61 working days for provisional general restaurant licences and 138 working days for frozen confection factory licences) (see Appendix C and Table 8 in para. 2.34). In Audit’s view, FEHD needs to review its performance measures for processing food business licence/permit applications, including the need for setting target processing time for restricted food permits and taking follow-up actions as appropriate.

## Audit recommendations

3.37 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to improve the procedures in reporting FEHD’s performance on processing food business licence/permit applications, including exploring the use of technology to facilitate the reporting process and enhancing data checking procedures so as to ensure that the achievement of performance measures is accurately reported;**

- (b) **consider reviewing the reporting basis of the performance measures for AVP meetings and issue of food business licence in FEHD's Controlling Officer's Report and take follow-up actions as appropriate; and**
- (c) **review FEHD's performance measures for processing food business licence/permit applications, including the need for setting target processing time for restricted food permits and taking follow-up actions as appropriate.**

### **Response from the Government**

3.38 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD will review the various processes, procedures, guidelines, etc. under the licensing regime and make improvements.

## **PART 4: OTHER RELATED ISSUES**

4.1 This PART examines other issues relating to the licensing of food premises, focusing on the following areas:

- (a) initiatives to facilitate applications for food business licences (paras. 4.2 to 4.11);
- (b) use of technology to facilitate processing of applications for food business licences and permits (paras. 4.12 to 4.24); and
- (c) dissemination of information (paras. 4.25 to 4.35).

### **Initiatives to facilitate applications for food business licences**

#### ***Need to keep under review the implementation of PCS***

4.2 With a view to streamlining the application procedures and shortening processing time, with effect from 1 March 2023 (Note 47), FEHD has implemented PCS for the issue of full licences for light refreshment restaurants and food factories on a pilot basis. Under PCS, FEHD accepts a certificate of compliance (health requirements) certified by an authorised person or registered structural engineer as the certification for compliance with all health requirements. Upon confirming compliance with all licensing requirements, a full licence will be issued within 2 working days. FEHD will then arrange an on-site audit check within 7 working days to confirm whether the certified layout plans are in strict conformity with the actual layout of the premises and all the licensing requirements have been fulfilled (see Figure 3 in para. 2.5).

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**Note 47:** *Applicable to applications that were received before 1 March 2023 but not yet issued with full licences.*

- 4.3 Upon enquiry, FEHD informed Audit in July and August 2023 that:
- (a) by acquiring sufficient experience, it would review the effectiveness of PCS. The timing of the review would depend on the considerable experience gained from cases that licence applicants opt for PCS;
  - (b) subject to the smooth implementation of PCS and support from the trade, FEHD would consider extending the new regime to other food business licences; and
  - (c) as of August 2023, FEHD received 8 applications adopting PCS, of which 6 were issued with the food factory licences under PCS (Note 48).

4.4 In the 2023 Policy Address, it was announced that FEHD would expand the scope of PCS to cover general restaurants. In Audit's view, FEHD needs to keep under review the implementation of PCS (e.g. taking into consideration the utilisation and processing time) and take follow-up actions as appropriate (e.g. formulating measures to improve PCS).

### ***Need to keep under review the use of composite food shop licence***

4.5 Composite food shop licence (see para. 1.3(k)) was introduced in August 2010 with a view to giving flexibility to sell and/or prepare various specified types of simple or ready-to-eat foods that do not involve complicated preparation (e.g. coffee/tea, sandwich and frozen confections) for consumption off the licensed premises. In the LegCo brief of May 2010, it was assumed that about 110 food shops would apply for the composite food shop licences if the trade considered it more user-friendly.

4.6 Audit noted that since the launch of composite food shop licence in August 2010 and up to June 2023, there were only 39 applications. As of June 2023, there was only one food premises holding this licence. Audit also noted that no review

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**Note 48:** *According to FEHD, PCS is also applicable to applications that were received before 1 March 2023 but not yet issued with full licences (i.e. an applicant may opt for PCS at any time during the application process). Hence, the usage of PCS in terms of eligible applications is not readily available at this stage.*

has been conducted on the use of composite food shop licence. Given the low utilisation, there are merits for FEHD to conduct a review on composite food shop licence and take follow-up actions as appropriate (e.g. formulating measures to enhance the regime or reviewing the need to keep this licence type).

### ***Need to keep under review implementation of restriction relaxation on light refreshment restaurant licences***

4.7 Under the previous licensing regime, licensees of light refreshment restaurants might only choose to prepare and sell food from one of the six specific food groups (e.g. one of the groups could sell rice congee, beverages including coffee/tea, and five self-specified snack items) for consumption on the premises.

4.8 Considering that the types of cuisine and cooking methods have become more diversified over the years, on the premise that food safety and environmental hygiene are not compromised, with effect from 1 March 2023 onwards, the restrictions have been imposed on the cooking methods instead of the food groups. Under the new regime, a licensee is allowed to prepare food by using simple cooking methods like boiling, stewing, steaming, braising, simple frying (excluding deep frying and stir frying) which do not generate large amount of greasy fumes during food preparation.

4.9 Existing licensees can choose to adhere to their original mode of operation (i.e. selling food items of a specified group) or adopting the new regime. If they choose to adopt the new regime, they shall apply to the respective DEHOs. According to FEHD, as at 30 June 2023, a total of 57 applications were received from licensees for switching to the new regime. In Audit's view, FEHD needs to keep under review the implementation of the restriction relaxation on light refreshment restaurant licences, including obtaining feedback from the trade on the initiative, with a view to further enhancing the regime.

## **Audit recommendations**

4.10 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **keep under review the implementation of PCS and take follow-up actions as appropriate (e.g. formulating measures to improve PCS);**
- (b) **conduct a review on composite food shop licence and take follow-up actions as appropriate (e.g. formulating measures to enhance the regime or reviewing the need to keep this licence type); and**
- (c) **keep under review the implementation of the restriction relaxation on light refreshment restaurant licences, including obtaining feedback from the trade on the initiative, with a view to further enhancing the regime.**

## **Response from the Government**

4.11 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD will keep under review the various business facilitation measures that it had taken the initiative to introduce. Feedback from the trade will be fully taken into account.

## **Use of technology to facilitate processing of applications for food business licences and permits**

### ***Need to promote online payment service and extend coverage of the service as scheduled***

4.12 For new issue of full food business licences/permits, apart from payment by cash or cheque at RLOs (i.e. in person or through collection box), fees for licences/permits can also be paid online via options such as credit cards since 2016

## Other related issues

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(Note 49). Audit examined the usage of the online payment service for the period 2018 to 2022 and noted that it had been on the low side, accounting for less than 2% of licence/permit payment transactions each year.

4.13 As of June 2023, online payment service was not available for new issue of provisional licences, and transfer and renewal of food business licences/permits. Upon enquiry, FEHD informed Audit in July 2023 that it planned to extend the online payment service to all payment of fees related to food business licences/permits by the second quarter of 2024.

4.14 To support the Government's initiatives of the development of digital economy and smart city in Hong Kong, FEHD needs to take measures to promote the online payment service and ensure that the service is extended to all payment of fees relating to food business licences/permits as scheduled.

### ***Need to further promote electronic application service and extend coverage of the service as scheduled***

4.15 Electronic submission of applications for food business licences/permits was rolled out in January 2013. According to FEHD, electronic submission may help speed up the workflow and further enhancement to electronic referral can ease the communication among B/Ds and the applicants. Audit noted that the percentage of licence/permit applications submitted online had been on an increasing trend from 12% in 2018 to 25% in 2022, and that for transfer of licences/permits from 0.3% in 2018 to 2.0% in 2022 respectively.

4.16 As of August 2023, FEHD accepted renewal applications for food business licences and permits at RLOs (i.e. in person or through collection box) or by post. The electronic application service did not apply to renewal applications. According to FEHD, it planned to launch an online platform for food business licences/permits renewal applications by the end of 2023.

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**Note 49:** *According to FEHD, the online payment service was rolled out by phase and was applicable to new issue of licences/permits (excluding temporary food factory licence) since 2016. The service for temporary food factory licence was subsequently rolled out in December 2020.*



4.17 In Audit's view, FEHD needs to take measures to further promote the electronic application service for food business licences/permits, and ensure that the service is extended to all types of food business licence/permit applications (including renewal) as scheduled.

***Need to enhance application tracking functions of ATF***

4.18 FEHD introduced ATF in 2008 to facilitate applicants of food business licences to check the status of their applications through the Internet (see para. 1.15(b)). In March 2015, FEHD enhanced ATF to cover OSA permission applications.

4.19 Audit noted that as of June 2023, ATF did not cover applications for temporary food factory licences and restricted food permits. According to FEHD, the processing procedures for these applications were comparatively less complicated and required shorter processing times. While noting FEHD's comments, given that the average processing times for applications for restricted food permits could be up to 3 months (e.g. 86 working days for restricted food permits for food sold by means of a vending machine in 2022 — see Appendix C), there are merits to consider extending ATF to all types of food business licence/permit applications.

***Need to set implementation schedule for electronic-referral system***

4.20 The processing of food business licence/permit applications involves referrals to other relevant B/Ds for comments (see para. 2.8). In 2019, to save manpower and transport expenditure, FEHD planned to implement an electronic application referral system (i.e. electronic-referral system) to transform all new applications for food business licences received by FEHD into soft copies and transmit to other relevant B/Ds for follow-up actions through electronic-memorandum.

4.21 Upon enquiry about the progress of implementation of the electronic-referral system, FEHD informed Audit in July and August 2023 that:

- (a) with the implementation of LMIS 2 in May 2023 (see para. 1.15(a)(i)), FEHD had already launched data interfaces with BD and ICU of HB through the electronic-referral system in processing applications for some

## Other related issues

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types of licences (e.g. general restaurant licences, light refreshment restaurant licences and factory canteen licences);

- (b) the data interface with FSD through the system was expected to be launched by 2026; and
- (c) data interfaces with other relevant B/Ds were pending consultation on the system capabilities of respective B/Ds.

4.22 Audit noted that when planning for the electronic-referral system project in 2019, FEHD had not set a timetable for system implementation. In this connection, Audit noted that the long time taken in implementing the system was partly due to the need for consulting the relevant B/Ds on their computer systems capabilities and the need for enhancing the systems for interfacing with the electronic-referral system (see para. 4.21(b) and (c)). In order to reap the benefits of the system (see para. 4.20) as soon as practicable, there is a need for FEHD to set an implementation schedule for the system after consulting the B/Ds concerned and monitor the progress to ensure its timely completion.

## Audit recommendations

4.23 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **take measures to promote the online payment service and ensure that the service is extended to all payment of fees relating to food business licences/permits as scheduled;**
- (b) **take measures to further promote the electronic application service for food business licences/permits, and ensure that the service is extended to all types of food business licence/permit applications (including renewal) as scheduled;**
- (c) **consider extending ATF to all types of food business licence/permit applications; and**

- (d) set an implementation schedule for the electronic-referral system after consulting the B/Ds concerned and monitor the progress to ensure its timely completion.

## Response from the Government

4.24 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that FEHD has taken forward a number of innovation and technology initiatives, and will continue to make good use of technology to enhance its public services. In particular, actions are in hand to facilitate electronic application and payment, extend the scope of ATF and enable electronic application referral among relevant B/Ds.

## Dissemination of information

### *Need to enhance search function of licensed/permitted food premises on FEHD's website*

4.25 FEHD publishes information of licensed/permitted food premises on its website to facilitate members of the public to identify whether a food premises is licensed/permitted. Particulars shown include licence type (e.g. general restaurant licence or food factory licence), special endorsement/permission (e.g. restricted food permit), district and address, shop sign (if any), licence number and expiry date of the licence/permit (see Figure 4 for an example). According to FEHD, the website is updated on a daily basis so as to provide the public with accurate information.

Figure 4

Example of list of licensed/permitted food premises  
on FEHD's website

**List of Licensed Food Premises (excluding Restaurants and Factory Canteens)**

Share: [f](#) [wa](#) [e](#)

**List of Licensed Food Premises (excluding Restaurants and Factory Canteens) Detail**

**Food Factory Licence - Central/Western**

- = Food Factory issued with Approval to Sell Sashimi
- = Food Factory issued with Approval to Sell Sushi
- = Food Factory issued with Approval to Sell Oyster to be Eaten in Raw State
- = Food Factory issued with Approval to Sell Meat to be Eaten in Raw State
- = Food Factory issued with Approval to Supply Lunch Boxes

For enquiry, please call our Hotline 2868 0000

	Shopsign	District	Address	Licence Number (Valid till):
1	xxxxxxxx●	Central/Western	xxxxxx, xxx CAINE ROAD, CENTRAL, HONG KONG	xxxxxxxxxxxx (xx-04-2024)
2	xxxxxxxx●●	Central/Western	xxxxxx, xxx CAINE ROAD, CENTRAL, HONG KONG	xxxxxxxxxxxx (xx-12-2023)
3	xxxxxxxx■	Central/Western	xxxxxx, xxxxx, CENTRAL, HONG KONG	xxxxxxxxxxxx (xx-11-2023)
4	xxxxxxxx	Central/Western	xxxxxx, MID-LEVEL, HONG KONG	xxxxxxxxxxxx (xx-12-2023)

Source: FEHD records

4.26 Audit noted that on FEHD's website, particulars of the food premises were categorised by licence types. There were different webpage links for: (a) licensed restaurants and factory canteens; (b) licensed food premises (excluding restaurants and factory canteens); (c) permitted premises for the sale of restricted foods; and (d) permitted premises for online sale of restricted foods (see Figure 5). When a member of the public wanted to check if a food premises was licensed/permitted, one had to first select the licence type and then the sub-type (e.g. food factory for other types of licensed food premises — see Figure 6) before inputting shop sign or address for the search. Without knowing the licence type of the food premises concerned (including licence type and sub-type), the public might need to repeat the search with another licence type if the first attempt was unsuccessful. This design undermined the user experience.

Figure 5

## Directory of list of food premises by licence/permit types

Home > Public Services > Licensing > Lists of Licensed / Permitted Premises

## Licensing

Share: [f](#) [g](#) [e](#)

### Lists of Licensed / Permitted Premises

- List of Licensed Restaurants and Factory Canteens
- List of Licensed Food Premises (excluding Restaurants and Factory Canteens)
- List of Permitted Premises for the Sale of Restricted Foods
- List of Permitted Premises for Online Sale of Restricted Foods
- List of Licensed Non-food Premises

Source: FEHD records

Figure 6

## Example of directory of lists of food premises by licence sub-types

List of Licensed Food Premises (excluding Restaurants and Factory Canteens)

[Guides to Application for Licences](#) | [Performance Pledge](#) | [Restaurant Licensing Resource Centre and Licence Issuing Offices](#) | [Pamphlets Related to Licensing Services](#)

Attention

For ordering food delivery service or Poon Choi, sashimi, sushi through internet, phone or pamphlets, customers should make sure that the food are prepared by licensed food premises to safeguard the food safety and food hygiene. Customers can verify through the list below whether the food supplier is issued with a food business licence.

Licence Type	<div> <div>List of Licensed Food Factory</div> <div>List of Licensed Food Factory</div> <div>List of Licensed Fresh Provision Shop</div> <div>List of Licensed Bakery</div> <div>List of Licensed Cold Store</div> <div>List of Licensed Frozen Confection Factory</div> <div>List of Licensed Milk Factory</div> <div>List of Licensed Siu Mei and Lo Mei Shop</div> <div>List of Licensed Composite Food Shop</div> </div>
Special Endorsement / Permission	
District	
Address	(Partial address is accepted. This search function only support single keyword, all input value will be treated as a single keyword.)
Shopsign	(Partial name is accepted. This search function only support single keyword, all input value will be treated as a single keyword.)
Licence Number	
Sort By	Shopsign

Source: FEHD records

## Other related issues

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4.27 In Audit's view, to facilitate the public to check whether food premises are issued with food business licences/permits, FEHD needs to enhance the search function of licensed/permitted food premises on its website (e.g. allow search by shop signs or food premises addresses).

### ***Need to improve provision of information at RLOs and Restaurant Licensing Resource Centre***

4.28 Information related to food business licences/permits (e.g. application guides and leaflets) can be found in the 3 RLOs (see Photograph 1 for an example). In addition, a Restaurant Licensing Resource Centre is set up at the Kowloon RLO (see Photographs 2(a) and (b)). According to FEHD, information materials in the form of photographs, booklets and leaflets are on display in the Centre to enhance applicants' understanding of the licensing procedures, and the roles and responsibilities of the key parties. Assistance is also provided to the public in the Centre (e.g. Health Inspector to answer questions from prospective applicants). Audit's visits to the RLOs in June to August 2023 found that:

- (a) in all 3 RLOs (cum Restaurant Licensing Resource Centre), some key information materials (e.g. the application forms for food business licence and restricted food permit (online sale of restricted foods)) were not available; and
- (b) the latest edition of "A guide to application for restaurant licences" was March 2023 but the one displayed at one of the RLOs was the January 2012 edition. In another RLO, the guide was not displayed.

**Photograph 1**

**New Territories RLO**

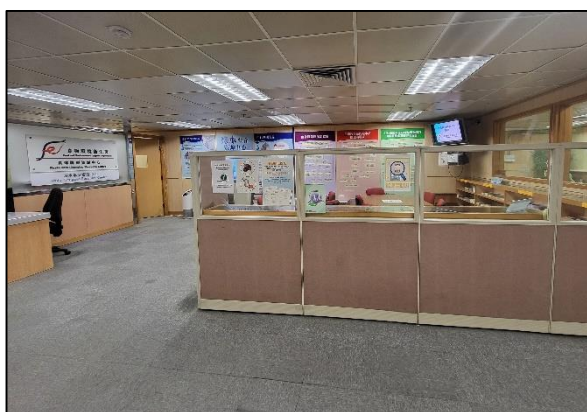


*Source: Photograph taken by Audit staff in June 2023*

**Photographs 2(a) and (b)**

**Kowloon RLO cum  
Restaurant Licensing Resource Centre**

**(a)**



**(b)**



*Source: FEHD records*

4.29 In Audit's view, FEHD needs to take measures to ensure that key and updated information regarding food business licences/permits are provided at RLOs and the Restaurant Licensing Resource Centre.

***Scope for improvement in delivering seminars on restaurant licensing***

4.30 To enhance prospective applicants' understanding of restaurant licence application procedures and the licensing requirements, and the roles of other relevant B/Ds, FEHD organises free bi-monthly seminars on restaurant licensing to the public. Speakers include representatives from FEHD, BD, FSD, the Electrical and Mechanical Services Department, EPD and the Labour Department.

4.31 Audit analysed the attendance of the seminars and noted that it was on a generally decreasing trend (see Table 13). According to FEHD, this was mainly because of the black-clad violence in 2019 and the social distancing measures implemented during the COVID-19 epidemic from 2020 until early 2023.

**Table 13**  
**Attendance of seminars on restaurant licensing**  
**(2018 to June 2023)**

<b>Year</b>	<b>Number of seminars (a)</b>	<b>Total number of attendees (b)</b>	<b>Average number of attendees (c) = (b) ÷ (a)</b>
2018	6	1,082	180
2019	6	811	135
2020	N.A. (Note)	N.A.	N.A.
2021	5 (Note)	513	103
2022	4 (Note)	261	65
2023 (up to June)	3	202	67

*Source:* Audit analysis of FEHD records

*Note:* According to FEHD, to align with the social distancing measures amid the COVID-19 epidemic, all seminars in 2020 and some seminars in 2021 and 2022 were cancelled.

4.32 It is the Government's policy that all written materials meant for the public, such as pamphlets and booklets should be available in both Chinese and English to ensure effective communication with all sectors of the community. According to FEHD, information about FEHD's services is available on its website in Chinese and



English. In addition, education leaflets/booklets are published in both languages for distribution to the public. Audit attended a seminar in June 2023 and reviewed FEHD's website as of August 2023 and noted that:

- (a) the presentation materials of the seminar uploaded to FEHD's website were only available in Chinese; and
- (b) some of the information disseminated during the seminar was not up-to-date (e.g. the new licensing regime for light refreshment restaurant licences is effective since March 2023, but the leaflet disseminated during the seminar was featuring the previous regime (see para. 4.7)).

4.33 In Audit's view, FEHD needs to keep under review the attendance of the seminars on restaurant licensing and take measures to improve the provision of related information (e.g. providing updated information and uploading seminar materials in both Chinese and English to FEHD's website).

## Audit recommendations

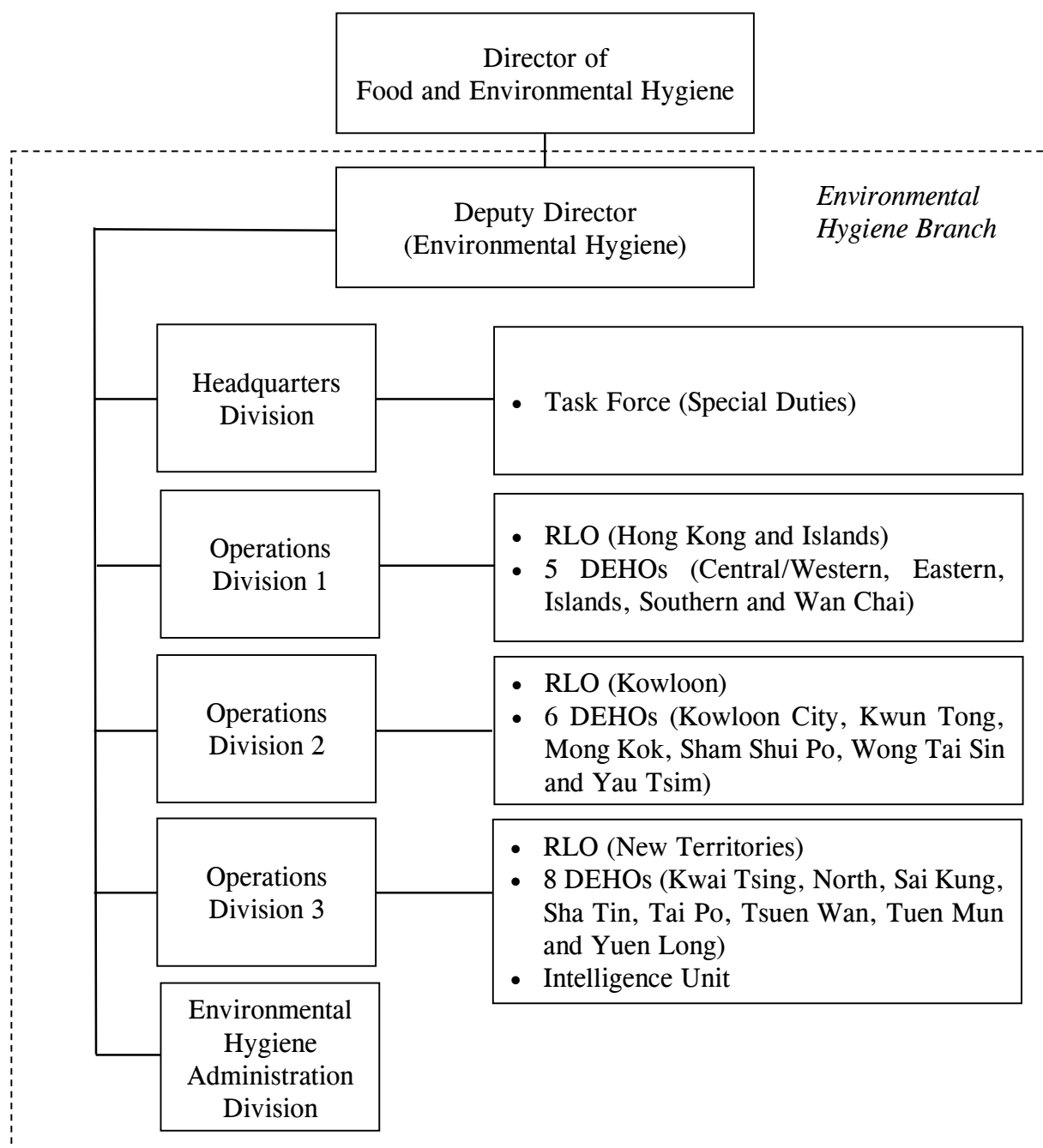
4.34 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **enhance the search function of licensed/permitted food premises on FEHD's website;**
- (b) **take measures to ensure that key and updated information regarding food business licences/permits are provided at RLOs and the Restaurant Licensing Resource Centre; and**
- (c) **keep under review the attendance of the seminars on restaurant licensing and take measures to improve the provision of related information.**

## Response from the Government

4.35 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations and has commenced follow-up actions.

**Food and Environmental Hygiene Department:  
Organisation chart (extract)  
(31 March 2023)**



*Source:* FEHD records

*Remarks:* Only the branch/divisions/offices/unit responsible for the licensing and regulatory control of food premises are shown.

**Appendix B**  
(Notes 22 and 23 to  
para. 2.12 refer)

**Provision of comments by other relevant  
government bureaux/departments failing to meet timeframes  
for processing applications for new food business licences  
(2021 to 2023)**

Relevant B/Ds	Exceeded timeframe	
	Range	Average
	(Working day)	
<i>First referral (Note)</i>		
BD	1 to 30	6
Drainage Services Department	1 to 60	21
Electrical and Mechanical Services Department	43	43
FSD	1 to 12	4
ICU of HB	3 to 5	4
Labour Department	8 to 28	18
LandsD	1 to 128	41
PlanD	4 to 96	27
<i>Subsequent referral</i>		
BD	1 to 150	32
ICU of HB	1 to 4	2
LandsD	9 to 29	20

*Source:* Audit analysis of FEHD records

*Remarks:* The time taken in receiving comments from other relevant B/Ds is calculated based on FEHD records, i.e. from the date of the referral memorandum to the date of receipt of comments by FEHD (see also para. 2.13 for more details).

*Note:* Excluding one case that according to the department concerned, FEHD had misdirected the application to the department for comments (see para. 2.13(b)(i)).

**Average processing times for issuing new provisional  
food business licences and restricted food permits  
(2018 to 2022)**

Type	2018	2019	2020	2021	2022
	(Working day)				
<i>Provisional licence (Note 1)</i>					
General restaurant	50	48	54	59	61
Light refreshment restaurant	51	50	53	61	62
Food factory	61	64	60	64	60
Fresh provision shop	60	55	55	58	54
Bakery	47	53	53	56	59
Factory canteen	128	161	117	106	103
Frozen confection factory	57	64	66	68	66
Siu mei and lo mei shop	67	73	71	69	70
Cold store	103	85	64	92	89
<i>Restricted food permit</i>					
Frozen confections	66	66	60	62	52
Milk/milk beverage	68	64	71	68	59
Non-bottled drinks	67	94	67	59	71
Food sold by means of a vending machine	57	66	81	136	86
Chinese herb tea	119	120	97	72	59
Shell fish (including hairy crab)	33	84	54	64	39
Others (Note 2)	69	93	65	66	61

*Source: FEHD records*

*Note 1: According to FEHD, for the period 2018 to 2022, no application for marine restaurant licence, milk factory licence and composite food shop licence was received and approved in the same year (see para. 2.35).*

*Note 2: This includes online sale of restricted food permits, cut fruit permits and sushi/sashimi permits.*

**Applications for new restricted food permits  
failing to meet timeframes stipulated in  
Food and Environmental Hygiene Department's guidelines  
(2021 and 2022)**

Procedure and timeframe (Note 1)	Application failing to meet timeframe	Exceeded timeframe
	(Number)	(Working day)
<i>Other types of restricted food permits</i>		
Number of applications examined by Audit	7 (Note 2)	
Inspection appointment will be made within a specified timeframe from date of dispatch of acknowledgement letter	3 (43%) (Note 3)	1 to 13 (averaging 8)
Case manager will furnish an inspection report within a specified timeframe from the date of inspection	3 (43%)	1 to 24 (averaging 10)
Senior Health Inspector will check the inspection report within a specified timeframe	1 (14%)	2
District Secretary of DEHOs will issue a LOR to applicant within a specified timeframe after the receipt of file from Senior Health Inspector	2 (29%)	3 (averaging 3)
Upon applicant's notification of compliance, case manager will inspect the premises and submit a report to Senior Health Inspector within a specified timeframe from date of receipt	5 (71%)	4 to 20 (averaging 8)
If no notification of compliance is received, case manager will inspect the premises at specific intervals	4 (57%) (Note 4)	N.A.
If applicant fails to comply with all licensing requirements within a specified timeframe, District Secretary concerned will inform applicant of outstanding requirements for early remedial action	6 (86%) (Note 5)	N.A.
Senior Health Inspector will inspect the premises and submit recommendation to Chief Health Inspector within a specified timeframe	1 (14%)	2
Chief Health Inspector will endorse issue of permit within a specified timeframe	2 (29%)	1 to 9 (averaging 5)

**Appendix D**  
(Cont'd)  
(para. 2.42(b) refers)

Procedure and timeframe (Note 1)	Application failing to meet timeframe	Exceeded timeframe
	(Number)	(Working day)
<b><i>Online sale of restricted food permits</i></b>		
Number of applications examined by Audit	2	
If no notification of compliance is received after the issue of LOR, case manager will inspect the premises within a specified timeframe from the date of the issue of LOR	1 (50%) (Note 4)	N.A.
After the inspection, reminders will be sent to applicant at specific intervals	1 (50%) (Note 6)	N.A.
Senior Health Inspector shall conduct final verification inspection within a specified timeframe from date of receiving applicant's notification of compliance	1 (50%) (Note 7)	4

*Source: Audit analysis of FEHD records*

*Note 1: Only the procedures with applications failing to meet the timeframes stipulated in FEHD's guidelines (see also Note 17 to para. 2.9) are shown in the Table.*

*Note 2: Excluding one application with no documentation showing that a site inspection had been conducted before receipt of notification of compliance (see para. 2.42(a)).*

*Note 3: In 2 cases, as no acknowledgement letters were issued to the applicants, the dates of application received were the dates of dispatch of acknowledgement letter.*

*Note 4: The figure includes applications with no inspections conducted or not conducted within the specified timeframe after the issue of LOR.*

*Note 5: The figure includes applications in which the applicants were not informed of the outstanding requirements or were not informed within the specified timeframe after the issue of LOR.*

*Note 6: The figure includes an application with no reminder sent.*

*Note 7: According to FEHD, as there was no record of the applicant's notification of compliance, the date of receipt of acceptable documents was taken as the date of notification of compliance.*

**Appendix E**  
(paras. 2.45, 2.46(b)  
and 2.50 refer)

**Time taken for processing applications for  
outside seating accommodation permissions  
(2020 to 2022)**

Procedure	Timeframe	Time taken	Exceeded timeframe	
	(Working day)	(Working day)	(No. of application)	(Working day)
<b><i>For inclusion of OSA into existing licensed premises</i></b>				
Receive application, conduct initial screening and refer to other relevant B/Ds	5	1 to 33 (averaging 9)	4 (Note 4)	1 to 28 (averaging 11)
Receive comments from other relevant B/Ds	20	71 to 215 (averaging 124) (Note 3)	9	51 to 195 (averaging 104)
Issue LOR to applicant if other relevant B/Ds have no in-principle objection (Note 1)	6	2 to 107 (averaging 20)	5	2 to 101 (averaging 27)
Verify compliance upon applicant's notification of compliance (Note 1)	8	0 to 13 (averaging 3)	2 (Note 5)	5
Issue OSA approval after confirmation of compliance with all licensing requirements (Note 1)	7	0 to 7 (averaging 3)	Nil	N.A.
Overall	46 (Note 2)	84 to 341 (averaging 160)	9 (Note 6)	38 to 295 (averaging 114)
<b><i>Concurrent with new licence</i></b>	N.A.	95 (Note 3)		

*Source:* Audit analysis of FEHD records

*Remarks:* The time taken in receiving comments from other relevant B/Ds is calculated based on FEHD records, i.e. from the date of the referral memorandum to the date of receipt of comments by FEHD (see also para. 2.13 for more details).

**Appendix E**  
(Cont'd)  
(paras. 2.45, 2.46(b)  
and 2.50 refer)

- Note 1: Performance pledges are set for these procedures (see Note 37 to para. 2.48).*
- Note 2: According to FEHD, the normal processing time of 46 working days does not include time spent by applicants in replying queries raised by the B/Ds concerned and taking actions to comply with the licensing requirements (see also Note 31 in para. 2.45).*
- Note 3: These involved the time taken in receiving comments from other relevant B/Ds including:*
- (a) BD (ranging from 71 to 215 working days, averaging 130 working days). According to BD, the delays were mainly due to time lags in receiving referrals from/sending comments to FEHD and the outbreak of the COVID-19 epidemic;*
  - (b) HAD (75 working days). According to HAD, the delay was mainly due to the outbreak of the COVID-19 epidemic, and the need to communicate and confirm details with FEHD on the scope of local consultation;*
  - (c) PlanD (132 working days). According to PlanD, the delay was mainly due to the outbreak of the COVID-19 epidemic, and awaiting clarification from the applicant on the nature and applied use of the area concerned; and*
  - (d) the Transport Department (82 working days). According to the Transport Department, the long time taken was mainly due to miscommunication between departments. FEHD informed the Transport Department on the same date of referral that due to an unfavourable comment by another B/D, the case had been treated as requiring no further processing until clearance by that B/D. Hence, the Transport Department did not process the application until clear instruction would be given by FEHD or the relevant B/D. The Transport Department resumed the handling of the case upon receipt of FEHD's reminder.*
- Note 4: If further clarifications with and/or acceptable documents were required from the applicant, the date of receipt of the relevant information was taken as the date of receipt of application.*
- Note 5: It includes an application with no documentation on date of notification of compliance.*
- Note 6: An application may involve more than one procedure with processing time exceeding the specified timeframes.*



**Acronyms and abbreviations**

ATF	Online Licence Application Tracking Facility
Audit	Audit Commission
AVP	Application Vetting Panel
BD	Buildings Department
B/Ds	Government bureaux/departments
DEHO	District Environmental Hygiene Office
EPD	Environmental Protection Department
FEHD	Food and Environmental Hygiene Department
FSD	Fire Services Department
HAD	Home Affairs Department
ICU of HB	Independent Checking Unit of the Housing Bureau
LandsD	Lands Department
LegCo	Legislative Council
LMIS	Licensing Management Information System
LOR	Letter of requirements
OSA	Outside seating accommodation
PCS	Professional Certification System
PlanD	Planning Department
RLO	Regional Licensing Office
SMS	Short message service