

## **A description of the local grammar of disclaimers in interim and annual company reports**

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### **Abstract**

Disclaimers are often found in company interim and annual reports to disclaim legal liability for the disclosure of information. The study aims to describe a local grammar of disclaimers in the interim and annual reports of companies listed in the Hong Kong Stock Exchange. Data analysis has identified thirteen functional categories and six lexico-grammatical patterns. Functional category labels were created to directly reflect the discourse functions of the language elements. Comparative analysis of the six language patterns has identified a canonical form and its variant forms. Findings of this study contributes to the field of research of local grammars, affirming the view of previous studies that adopting a local grammar approach makes textual analysis more simple, precise and useful. The study also offers insights into a greater understanding of legal language in business and professional settings.

### **INTRODUCTION**

Disclaimers have received attention from researchers in pragmatics and social psychology in the past few decades (Tayebi and Parvaresh 2014). Disclaimers can be found in spoken and written discourse. In conversations, disclaimers, such as 'I'm no expert, of course, but', are used by speakers to avoid potential trouble (Hewitt and Stokes 1975: 4). In law, a disclaimer is defined as 'the denial, refusal, or rejection of a right, power, or responsibility', and 'a defensive measure, used generally with the purpose of protection from unwanted claims or liability' (*West's Encyclopedia of American Law* 2008).

Disclaimers are prevalent in different kinds of written business discourse. With the advent of the Internet, websites have become an effective communication tool for organisations and institutions to connect with their stakeholders and other interested parties. Disclaimers are commonly displayed on webpages for website owners to disclaim different kinds of legal responsibilities. In the finance services industry, a disclaimer refers to 'a note attached to a publicly distributed document with the aim of limiting the originator's liability for its accuracy, content or quality' (Moles and Terry 2005). Disclaimers have been used by accounting and corporate communications officers and public relations professionals to disclaim legal responsibilities in a range of written business discourses, including corporate annual reports (Bhatia 2010), corporate press releases (McLaren-Hankin 2008), and company audit reports (Flowerdew and Wan 2010).

A listed company's report, annual, half-yearly (interim), and quarterly, is one of the most important ways for the company to publicly communicate with its shareholders and other interested parties. In his research on interdiscursivity in professional communication, Bhatia (2010) analysed the annual reports of fifteen Hong Kong Stock Exchange listed companies. His findings suggest that the company annual report has become a corporate document comprised of at least four different kinds of discourses: accounting discourse, discourse of economics, public relations discourse, and legal discourse. While the first three kinds of discourses are valuable sources of information for shareholders and potential investors to understand a company's achievement and its prospects for future development,

the fourth, i.e. the legal discourse (disclaimer), disclaims whatever is claimed in the annual report and other corporate disclosure documents both in the printed copies and on company websites. Bhatia's (2010) identification of disclaimers in company annual reports indicates the importance of understanding the features of annual reports and the possible consequences of overlooking the legal discourse in the reports:

If readers, especially minority shareholders, are unaware of the content of such disclaimers and tend to read the predictions, projections, and other speculative claims made through the annual report without disclosing the detailed investment risks, they can be and often are shocked by the corporate results in succeeding years. (p. 45, see Bhatia 2004, for an analysis of disclaimer in a letter from the chairman of a public listed company to its shareholders)

In order to examine hedging in forward-looking statements in corporate press releases, McLaren-Hankin (2008) examined disclaimers in corporate press releases and found that disclaimers enable the companies to explicitly convey the uncertainties involved in their future business developments to their target readers. By incorporating a disclaimer in the press release, companies listed on the US stock exchange and the UK stock exchange succeeded in preventing themselves from being held responsible for their claims about the future which may not materialise (McLaren-Hankin 2008). In their study of company audit reports, Flowerdew and Wan (2010) found that **DISCLAIMER OF OPINION** is one of the three choices in a move in a small number of the reports and it 'occurs when the auditor is unable to complete the audit for whatever reason and is therefore not willing to give an opinion' (p. 86). Flowerdew and Wan (2010) also found that disclaimers are employed by some auditors to limit their legal responsibilities for their auditing work in company audit reports.

## **LOCAL GRAMMAR**

The term 'local grammar' was proposed by Gross (1993: 26, 29) to describe features shared among synonymous idiomatic expressions and phrases referring to time (e.g., *on May 2<sup>nd</sup>*, *on Tuesday May the 2<sup>nd</sup>*, *on Tuesday the 2<sup>nd</sup> of May*). According to Gross, since there is a limit to the ways one can express time and since the components of these expressions do not fit easily into general descriptions of English grammar, the description should focus on the ways in which time expressions share similar features. This description is in effect the local grammar of time expressions. For Gross (1993), local grammars have a two-fold purpose: local grammars are seen as a better way to describe language use and they can be used to automatically retrieve all such instances of language use from a corpus because each local grammar is specific to a particular use of language.

While the study of local grammars is still a relatively new phenomenon, the main argument in favour is that a local grammar describes 'the resources for only one set of meanings in a language, rather than for the language as a whole' (Hunston 2002: 90). In addition to that, a local grammar does not 'need to squeeze the description into ill-adapted general categories but uses a categorisation and terminology that is developed specifically for each area' (Hunston and Sinclair 2000: 74), the specificity of which is characterised by 'accuracy, transparency, and cumulative coverage' (p. 74).

Hunston and Sinclair (2000: 84-91) examined the Bank of English at COBUILD and described the local grammar of evaluation that is made up of a limited number of terms: 'evaluative category', 'evaluated entity', and 'affected entity'. Examples are 'he (evaluator)

is (hinge) adamant (evaluating response) that he does not want to enter politics (thing evaluated)’ and ‘they (evaluation carrier) were (hinge) lucky (evaluative category) that we scored when we did (thing evaluated)’ (p. 89). Comparing British English broadsheets and tabloid newspapers, Bednarek (2007) identified eight patterns of evaluative adjectives, including most of the patterns in Hunston and Sinclair (2000), some new realisations of those patterns, as well as new patterns.

In another study, Hunston (2002: 90-91) described a local grammar of sameness and difference. First, she identified the words that indicate these meanings (e.g., ‘equate’, ‘match’, ‘contrast’, ‘differentiate’) and the patterns in which they are used (e.g., verb + plural noun group as in ‘equate two things’, verb + *between* + plural noun group as in ‘differentiate between two things’). Next, she identified elements in the local grammar, such as ‘comparer’, ‘comparison’, ‘item 1’, and ‘item 2’, and then mapped these elements onto the pattern. Other studies of local grammar have investigated proper names (Nam and Choi 1997), cause and effect (Allen 2006), and emotion (Bednarek 2008).

The local grammar of a particular language use can be employed to automatically retrieve all such instances of language use from a corpus. Barnbrook and Sinclair (2001), for instance, showed how a computer program based on the features of the local grammar can be used to search for definitions in corpora that comprised non-dictionary texts. They examined non-dictionary texts arguing that the structures used in dictionary definitions are not specific to dictionaries, but are frequently used for definitions generally; in other words, all definitions share the same local grammar. In Barnbrook (2002), a local grammar of definition sentences was investigated and the functional components of the sentences were extracted by parsing software.

## **THE PRESENT STUDY**

Despite the importance of disclaimers as a means of disclaiming legal liability in different institutional and professional communication contexts, the language and discourse functions of disclaimers have yet been investigated. The present study of a local grammar of disclaimers aims to examine the subset of general language used in disclaiming clauses in company interim and annual reports in Hong Kong with a view to describing the language patterns, functional components, and discourse functions of disclaimers. Another aim is to identify the canonical form, and variations of the canonical pattern, of disclaimers. The paper also discusses the results of the analysis and explores implications and applications for an informed understanding of the usage of legal statements of disclaimers in business and professional communication.

## **METHOD**

### **Data**

The data in this study were collected from the interim and annual reports of fifty companies which were constituents of the Hang Seng Index (HSI), which is considered ‘the most widely quoted gauge of the Hong Kong stock market, including the largest and most liquid stocks listed on the Main Board of the Stock Exchange of Hong Kong’ (Hang Seng Indexes Company Limited 2014). The Hong Kong Exchanges and Clearing Limited (2014b) operates two markets for companies to list their shares: the Main Board and the Growth Enterprise Market (GEM). Main Board and GEM issuers are obliged to disclose financial information by publishing annual, half-yearly (interim), and quarterly reports (for GEM

issuers only) within a certain period after the date upon which the financial period ended (Hong Kong Exchanges and Clearing Limited 2014a). The listed companies are also required to make their reports and financial statements accessible by the public on the HKExnews website, a website of Hong Kong Exchanges and Clearing Limited which is established for the dissemination of issuer information, the GEM website, and the listed companies' websites, which usually include a section called 'Investor relations', along with a wide range of other documents of the companies.

Data collection involved locating the most recent interim and annual reports at the time of the research (April 2014) from the websites of the fifty companies, constituents of the HSI. The list of the constituents of the HSI was obtained from one of the 'Factsheets for Hang Seng Family of Indexes (March 2014)' on the website of the Hang Seng Indexes Company Limited (2014). Altogether sixteen interim and seventeen annual reports (N=23) from nineteen of the fifty companies were downloaded as reports were not available on the other company websites.

### **Data analysis procedure**

Data analysis was conducted manually. The first step was to examine each of the twenty-three company interim and annual reports to identify instances of legal statements of disclaimers which perform the function of disclaiming the contents in the forward-looking statements in the reports. The instances of disclaimer were placed either before or after the main contents of a report. Most of them were placed below a heading or sub-heading with the word 'disclaimer'. The second step involved identifying the language elements in the disclaiming clauses which indicate meanings associated to disclaiming and the patterns in which the meanings are used. This was followed by identifying functional categories in the disclaimers and then creating transparent category labels to describe the categories. In the fourth step, the functional categories are mapped onto the language patterns. The last step involved examining all the patterns to identify a canonical pattern. This canonical pattern was then used as the benchmark against which all other patterns were compared. The aim was to enable a description of the variant forms relative to their adherence to the canonical one.

## **FINDINGS AND DISCUSSIONS**

### **Functional categories of disclaimers**

A total of forty disclaimers were identified from the twenty-three company reports. In the following, a local grammar of disclaimers in company interim and annual reports is discussed first of all in terms of functional categories (Table 1), followed by language patterns (Tables 2-8). Table 1 presents thirteen functional categories and their definitions. The categories include participants involved ('addressee' and 'creator of disclaimer'), the claim and opinion expressed (e.g., 'claim carrier'; 'factors affecting claim'; 'opinion'; 'degree of dependence and warning'; 'nature of claim and factors'), investment risks ('risks', 'nature of risks'), the thing disclaimed ('thing denied', 'nature of thing denied', 'restriction of denial and opinion), and restriction on the addressee's dependence on the information in the claim.

*Table 1: Functional categories and discourse functions*

	Functional category	Discourse function
1	Addressee	The target readers of the interim and annual company reports
2	Claim carrier	The claim of a company in the reports
3	Creator of disclaimer	The writer of the reports, i.e. the company
4	Degree of ... (1) Dependence (2) Warning	The extent to which (1) dependence or (2) warning is expressed in the reports
5	Dependence	The target readers' dependence on the information conveyed in forward-looking statements
6	Factors affecting claim	The factors which may affect the claim of a company
7	Hinge	A connection between two functional elements of a pattern
8	Nature of ... (1) Claim (2) Factors (3) Risks (4) Thing denied	The quality of: (1) The claim of a company (2) The factors which may affect the claim of a company (3) The risks which may be involved in investment (4) The thing which is disclaimed by a company
9	Opinion	The ideas or beliefs of a company which are expressed in the reports
10	Restriction on ... (1) Denial (2) Dependence (3) Opinion	The things which are related to: (1) The disclaimer which is made by a company (2) The target readers' dependence of the information conveyed in forward-looking statements (3) The ideas or beliefs of a company
11	Risks	The risks which may be involved in investment
12	Situation	The situation in which the accuracy of information disclosed in the reports may not be valid
13	Thing denied	The thing which a company disclaims, i.e. the legal responsibilities in the context of a particular disclaimer

### **Language patterns of disclaimers**

Another finding is that the disclaimers are expressed in six patterns (Tables 2-8). Most of the patterns are found to be realised by similar strings of linguistic expressions. The limited variation in the lexico-grammar of disclaimers suggests that the writers of these disclaimers might have developed certain conventions and styles when presenting legal statements to perform a disclaiming function. Another main finding is that across all the patterns, a canonical pattern, together with patterns relative to their adherence to the canonical one, can be identified. Below, the six patterns are discussed:

Pattern 1: Noun group + verb group + noun group + idiom + adjective group + noun group + conjunction + link verb + *not* + noun group (N=6) (Table 2)

Table 2: Pattern 1

	Claim carrier	Hinge	Opinion	Restriction on opinion				Hinge		Thing denied	No. of disclaimers
idiom	noun group	verb group	noun group	idiom	adjective group	noun group	conjunction	link verb	<i>not</i>	noun group	
(N/A)	These forward-looking statements	reflect	the Group's views	as of the date hereof with respect to	future	events	and	are	not	a guarantee of future performance or developments.	2
AIA-AR, AIA-IR											
In addition,	these forward-looking statements	reflect	the Company's current views	with respect to	future	events	and	are	not	a guarantee of the Company's future performance.	2
China Unicom-AR, China Unicom-IR											
(N/A)	The forward-looking statements	reflect	the Group's current views	with respect of [to]	future	events	and	are	not	a guarantee of future performance.	2
PetroChina-AR, PetroChina-IR											
Total											6

Six instances of legal statements of disclaimers analysed were expressed in this pattern. This pattern begins with the noun group *the/these forward-looking statements*, followed by the verb group *reflect*, the noun group *the Group's/Company's (current) views*, the idiom (*as of the date hereof*) *with respect to*, the adjective group *future*, the noun group *events*, the conjunction *and*, the link verb *are, not*, and finally a noun group containing *a guarantee of future performance (or developments)*.

This pattern explicitly indicates the presence of forward-looking statements in the reports, which are descriptions about the future business performance from the perspective of the company, and the fact that the company does not promise that the plans, estimations, and expectations reported will be materialised in the future and that the company will not be legally responsible for any future events. The legal responsibility, indicated by the noun group *a guarantee* which realises the 'thing denied', is negated by *not*. The combination of *not* and *a guarantee* enables the companies to disclaim the 'opinion' which they expressed and claimed in the forward-looking statements in the reports. The forward-looking statements carry the claims of the companies and the noun group *the/these forward-looking statements* is termed the 'claim carrier'. In two instances of this pattern, the 'claim carrier' is preceded by *in addition*.

Pattern 2: Noun group + verb group + *any/no* + noun group + *to*-infinitive clause + (type one) conjunction + *any/no* + noun clause OR (type two) prepositional group/adverb group (N=9)

This pattern can be divided into two types. In type one, the *to*-infinitive clause is followed by *and, any/no*, and a noun clause (N=3); in type two, the *to*-infinitive clause is followed by a prepositional group or an adverb group (N=6). The two types of this pattern are shown in Tables 3(a) and 3(b) respectively.

Table 3(a): The first type of Pattern 2

Creator of disclaimer	Hinge		Thing denied	Restriction on denial			Thing denied	No. of disclaimers
noun group	verb group	<i>any/no</i>	noun group	<i>to</i> -infinitive clause	conjunction	<i>any/no</i>	noun clause	
Neither the Group nor the Directors, employees or agents of the Group	assume	(a) any	obligation	to correct or update the forward-looking statements or opinions contained in this Annual Report;	and	(b) any	liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.	1
Cheung Kong-AR								
The Group, the Directors, employees and agents of the Group	assume	(a) no	obligation	to correct or update the forward-looking statements or opinions contained in this Annual Report;	and	(b) no	liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.	2
Hutchison-AR, Hutchison-IR								
Total								3

Table 3(b): The second type of Pattern 2

	Creator of disclaimer	Hinge		Thing denied	Restriction on denial		Situation	No. of disclaimers
adverb group or adverb clause	noun group	verb group	no	noun group	to-infinitive clause(s)		prepositional group/adverb group	
(N/A)	HSBC	makes	no	commitment	to revise or update any forward-looking statements	to reflect events or circumstances occurring or existing	after the date of any forward-looking statements.	2
HSBC Holdings plc-AR, HSBC Holdings plc-IR								
In addition,	the Company	undertakes	no	obligation	to publicly update or revise any forward-looking statement that is contained in this report		as a result of new information, future events or otherwise.	2
Ping An-AR, Ping An-IR								
(Clause)... unless required by regulatory authorities,	the Company	undertakes	no	obligation	to update these statements.		(N/A)	2
Sinopec Corp-AR, Sinopec Corp-IR								
Total								6

In this pattern, the subject is a noun group referring to the company which creates the disclaimers, termed the ‘creator of disclaimer’. The ‘creator’ is realised in different ways: with conjunctions *neither... nor...* (*neither the Group nor the Directors, employees or agents of the Group*), a noun group referring to a group of people (*the Group, the Directors, employees and agents of the Group*), a company name (*HSBC*), and the noun group *the Company*. The verb group of the first type is *assume(s)*, while those of the second type are *makes* and *undertakes*. The legal responsibility represented by the ‘thing denied’ is indicated by the noun groups *obligation* and *commitment*, which are negated by *any* or *no*. The *to*-infinitive clauses following the ‘thing denied’ *obligation* and *commitment*,

termed the ‘restriction on denial’, provide details about the nature of the legal duty, which is associated with the accuracy of the forward-looking statements described in the company interim and annual reports.

In the first type of this pattern, each *to*-infinitive clause is connected with another ‘thing denied’ element, denoting legal responsibility by *and*. The legal responsibility is realised by a noun clause containing *liability*, and it is negated by *any* or *no* (*any/no liability in the event that any of the forward-looking statements or opinions do/does not materialise or turn out to be incorrect*). In the second type of this pattern, however, there is only one element of ‘thing denied’, which is realised by *obligation* and *commitment*. The element of ‘situation’ is found in four of the six instances of this type of Pattern 2, but not in the first type. It refers to the situation in which the accuracy of information disclosed in the reports may not be valid. It is realised by a prepositional group (*after the date of any forward-looking statements*) and an adverb group (*as a result of new information, future events or otherwise*).

Pattern 3: (Any/the) + (adjective group) + noun group + (adverb group) + *do not* + link verb + (adjective group) + noun group (N=6) (Table 4)

Table 4: Pattern 3

		Nature of claim	Claim carrier		Hinge		Nature of thing denied	Thing denied	No. of disclaimers
conjunction	<i>any/the</i>	adjective group	noun group	adverb group	<i>do not</i>	link verb	adjective group	noun group	
(Clause)... and	<i>any</i>	<i>future</i>	plans mentioned	(N/A)	<i>do not</i>	constitute	(N/A)	a commitment by the Bank to its investors.	2
Bank of China-AR, Bank of China-IR									
(N/A)	(N/A)	(N/A)	Such statements	(N/A)	<i>do not</i>	constitute	<i>actual</i>	commitments to investors.	2
China Shenhua-AR, China Shenhua-IR									
(N/A)	<i>The</i>	<i>future</i>	plans,	if involved,	<i>do not</i>	constitute	<i>substantial</i>	commitment to investors, and ... (clause)	2
ICBC-AR, ICBC-IR									
Total									6

This pattern mainly involves the assertion that the *future plans* or the *statements* about future events described in the reports are not to be considered to be a *commitment* by a particular company to its investors. In other words, what has been suggested in the reports related to the company’s future is not promised. In this pattern, the adjective group *future* is used to specify the nature of four instances of the ‘claim carrier’, which are the noun groups *plans mentioned* and *plans*. The word *future* highlights the plans described in the reports, which the company has decided or is expected to do or achieve in the future. The claims conveyed by the *plans* and *statements* are disclaimed by the combination of *do not*, the ‘nature of thing denied’, and the ‘thing denied’. The four instances of the adjective group (*actual* and *substantial*), which is termed the ‘nature of thing denied’, pre-modify the legal responsibility represented by the ‘thing denied’, i.e. the noun group containing *commitment(s)*. As with Patterns 1 and 2, the disclaiming function of the legal



responsibility involves the combination of an element of negation (*do not constitute* in this pattern) and the element of ‘thing denied’.

Pattern 4: Noun group + verb group + (adverb group) + *that*-clause (N=10) (Table 5)

Table 5: Pattern 4

Addressee	Hinge	Degree of warning	Risks	No. of disclaimers
noun group	verb group	adverb group	<i>that</i> -clause	
You	are (strongly) cautioned	‘strongly’ in the verb group	that reliance on any forward-looking statements involves known and unknown risks and uncertainties.	2
AIA-AR, AIA-IR				
Readers	are cautioned	(N/A)	that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements.	2
CCB-AR, CCB-IR				
Readers	should be cautioned	(N/A)	that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.	2
CITIC Pacific-AR, CITIC Pacific-IR				
Readers	are cautioned	(N/A)	that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.	2
HSBC Holdings plc-AR, HSBC Holdings plc-IR				
Readers	should be cautioned	(N/A)	that a variety of factors, many of which are beyond the Company’s control, affect the performance, operations and results of the Company, and ... (clause)	2
Ping An-AR, Ping An-IR				
Total				10

In Pattern 4, the subject is a noun group, realised as *you* or *readers*, referring to the target readers of the reports, termed the ‘addressee’. The target readers, e.g., the shareholders and potential investors, are advised to be very careful about their investment. Specifically, they are warned of the risks and uncertainties which may be involved in their investment, which is one of the functions performed by disclaimers (McLaren-Hankin 2008). The meaning of the warning is conveyed by the use of a verb group which contains *caution* in its passive form (*are cautioned* and *should be cautioned*), followed by a *that*-clause. In two of the ten instances, the adverb group *strongly* is inserted between *are* and *cautioned* (*are strongly cautioned*) to indicate a high degree of caution. It has to be noted that, in the data analysis, the verb group *are cautioned* is also found to be connected with a prepositional group which refers to risks of investment in one annual report and one interim report examined (*readers are specially cautioned on all kinds of risks disclosed in this annual/half year report, including but not limited to the risks set out in the “Risk Management” of the annual report*) (N=2). Again, the adverb group *specially* is inserted between *are* and *cautioned* in these two instances.

The *that*-clauses in this pattern function to express the risks and uncertainties in investment, and are termed the ‘risks’. The semantic elements of the *that*-clauses, excluding the first two instances (*that reliance on any forward-looking statements involves known and unknown risks and uncertainties*), can be regarded as a separate pattern.

*That*-clauses of Pattern 4: *That* + noun group + (adjective clause + verb group + noun group) + (conjunction) + verb group + adjective group + noun group + *to*-infinitive clause + (prepositional group) + adverb group + prepositional group (N=8) (Table 6)

Table 6: *That*-clauses of Pattern 4

Risks											No. of <i>that</i> -clauses	
<i>that</i> -clause												
	Factors affecting claim	Nature of factors		Hinge	Nature of thing denied	Thing denied				Restriction on denial		
<i>that</i>	noun group	adjective clause + verb group + noun group	conjunction	verb group	adjective group	noun group	<i>to</i> -infinitive clause	prepositional group	adverb group	prepositional group		
... that	a number of factors	(N/A)	(N/A)	could cause	actual	results	to differ,	in some instances	materially,	from those anticipated or implied in any forward-looking statement.	4	
CCB-AR, CCB-IR, HSBC Holdings plc-AR, HSBC Holdings plc-IR												
... that	a number of factors	(N/A)	(N/A)	could cause	actual	results	to differ,	in some cases	materially,	from those implied or anticipated in any forward looking statement or assessment of risk.	2	
CITIC Pacific-AR, CITIC Pacific-IR												
... that	a variety of factors,	many of which are beyond the Company's control, affect the performance, operations and results of the Company,	and	could cause	actual	results	to differ	(N/A)	materially	from the expectations expressed in any of the Company's forward-looking statements.	2	
Ping An-AR, Ping An-IR												
Total												8

As a separate pattern, the eight instances of *that*-clause indicate a cause-and-effect relationship in investment, manifested by the verb group *could cause*. The cause or reason, termed the 'factors affecting claim', is realised by the noun group *a number/variety of factors*, whereas the effect or consequence brought by the 'factors' is the difference between the *actual results* of the companies (in terms of their future performance, operations and developments) and those *anticipated or implied* in the forward-looking statements or the *expectations expressed* in the forward-looking statements in the reports. The quality of the factors which may result in such a difference is described in two of the *that*-clauses. In those *that*-clauses, *factors* is post-modified by *many of which are beyond the Company's control, affect the performance, operations and results of the Company*, termed the 'nature of factors'. The factors hence inform or remind the readers of the limited power of the companies in developing their business in the future as well as the complexity of investment decision-making.

To sum up, in Pattern 4, the verb groups *are cautioned* and *should be cautioned* combined with the meaning about investment risks in the *that*-clauses explicitly encourage readers of the reports to be aware of the potential investment risks in interpreting the companies' interim and annual reports. The 'reminders' and 'warnings', which indicate that the financial losses of the companies may not be predictable and controllable, provide opportunities for the companies to disclaim their responsibilities for achieving the positive results anticipated or implied in the forward-looking statements.

Pattern 5: Noun group + verb group + (adjective group) + noun group + adjective clause (N=3) (Table 7)

Table 7: Pattern 5

Claim carrier	Hinge	Nature of risks	Risks								No. of disclaimers
noun group	verb group	adjective group	noun group	adjective clause							
					Hinge	Nature of thing denied	Thing denied	Restriction on denial			
				<i>which</i>	verb group	adjective group	noun group	<i>to</i> -infinitive clause	adverb group	prepositional group	
These forward-looking statements	are subject to	(N/A)	risks, uncertainties and other factors beyond the Company's control	which	may cause	actual	results or performance	to differ	materially	from those expressed or implied in such forward-looking statements.	2
Henderson Land-AR, Henderson Land-IR											
Such forward-looking statements	involve	known and unknown	risks, uncertainties and other factors,	which	may cause	the actual	performance, financial condition or results of operations of the Company	to be materially different	'materially' in the <i>to</i> -infinitive clause	from any future performance, financial condition or results of operations implied by such forward-looking statements.	1
China Mobile-IR											
Total											3

Pattern 5 is formed by a noun group *these/such forward-looking statements*, a verb group *are subject to* or *involve*, a noun group about risks, uncertainties and factors which may affect the companies' future performance – *risks, uncertainties and other factors (beyond the Company's control)*, and an adjective clause, which shows a potential cause-and-effect relationship in investment, characterised by semantic elements similar to those of the *that*-clauses in Pattern 4. In one of the three instances, the adjective group *known and unknown* is used to pre-modify the noun group *risks, uncertainties and other factors*.

As with Pattern 4, this pattern is concerned with the risks in investment. However, the subject of this pattern is *these/such forward-looking statements*, whereas that of Pattern 4 is *you* or *readers*. Although the instances of both patterns can be regarded as 'reminders' and 'warnings' about investment risks, the meanings of instances of this pattern seem to be conveyed in a more factual way. Apart from *factors, risks* and *uncertainties*, which carry negative connotation, are also found in all instances of Pattern 5. The presence of these two noun groups enriches the meaning of the 'risks', and hence enables the meaning of the whole pattern to be conveyed in a more straightforward way. It is also observed that a prepositional phrase *beyond the Company's control* is used to post-modify *risks, uncertainties and other factors* in two of the instances of this pattern (note that the use of *beyond the Company's control* is also found in Pattern 4). This prepositional phrase serves to emphasise the possibility of investment loss of the readers, despite the fact that the company has developed strategies to manage its business.

Adjective clauses of Pattern 5: *Which* + verb group + adjective group + *to*-infinitive clause + adverb group + prepositional group

All adjective clauses of Pattern 5 begin with the pronoun *which* referring to the noun group *risks, uncertainties and other factors*. The composition of the adjective clauses is

very similar to that of the *that*-clauses in Pattern 4. The only difference is that there is no prepositional group between the *to*-infinitive clause and the adverb group in the adjective clauses. As with the *that*-clauses in Pattern 4, the verb group in the adjective clauses is a combination of a modal verb (*may*) and *cause*.

The ‘thing denied’ in the adjective clauses and *that*-clauses are pre-modified by the ‘nature of thing denied’ (*actual*); however, the ‘thing denied’ is realised in different ways in the adjective clauses (*results or performance* and *performance, financial condition or results of operations of the Company*), while it is realised by *results* in the *that*-clauses. The use of *performance* and *financial condition* in the adjective clauses enables readers to understand that risks, uncertainties and other factors may affect different aspects of the company.

Pattern 6: Noun group + verb group + *not* + adjective group + noun group + prepositional group (N=6) (Table 8)

Table 8: Pattern 6

	Addressee	Hinge		Degree of dependence	Dependence	Restriction on dependence	No. of disclaimers
conjunction/adverb group	noun group	verb group	not	adjective group	noun group	prepositional group	2
Accordingly,	you	should not place	‘not’ in the verb group	undue	reliance	on any forward-looking information or statements.	
AIA-AR, AIA-IR							
(N/A)	Investors	should not place	‘not’ in the verb group	undue	reliance	on these forward-looking statements and ... (clause)	2
Bank of China-AR, Bank of China-IR							
(Clause)... and	readers	should not place	‘not’ in the verb group	undue	reliance	on the Company’s forward-looking statements.	
Ping An-AR, Ping An-IR							2
Total							
							6

Semantically, Pattern 6 is similar to Patterns 4 and 5 in that it also indicates ‘advices’ of the companies to their shareholders or potential investors and, at the same time, enables the companies to disclaim what they have claimed in the reports. The ‘addressee’ is realised by the noun groups *you*, *investors* and *readers*. The noun group is followed by a verb group with *not* (*should not place*), an adjective group *undue*, a noun group *reliance*, and a prepositional group realised by a combination of the preposition *on* and a noun group, mainly referring to the forward-looking statements in the reports (*on any forward-looking information or statements*, *on these forward-looking statements* and *on the Company’s forward-looking statements*).

In Pattern 6, the readers are ‘advised’ not to depend heavily on the forward-looking statements. This ‘advice’ about how to interpret the forward-looking statements entails that there may be an undesirable consequence if the readers do not take the ‘advice’, i.e. if they place undue reliance on the forward-looking statements. The companies intend to express the meaning that the forward-looking statements, which contain information about the positive image and achievements of the companies and what they have decided or planned to achieve in the future, are for reference only. The ‘advice’ is used by the companies to remind or warn their investors of the risks and uncertainties involved in investment, and

perhaps more importantly, to disclaim whatever the readers may believe, expect and anticipate in relation to the companies.

### Canonical form and variant forms

A comparative analysis of the six patterns was conducted to find out whether a canonical pattern could be identified. Findings show that the pattern of ‘noun group + verb group + *any/no/not* + (adjective group) + noun group’ has the highest frequency (N=15), and is therefore considered the canonical form of all the patterns (Table 9). This form occurs in both types of Pattern 2 and Pattern 6. While in all the nine instances of Pattern 2, these four grammatical elements are used without any intervening words, in all the three instances of Pattern 6, the adjective group *undue* is inserted between the verb group with *not* (*should not place*) and the second noun group *reliance*.

Table 9: Realisations of the canonical form (N=15)

Pattern	noun group	verb group	<i>any/no/not</i>	adjective group	noun group	No. of instances
Pattern 2 (the first type)	Neither the Group nor the Directors, employees or agents of the Group	assume	(a) any	(N/A)	obligation	1
	The Group, the Directors, employees and agents of the Group	assume	(a) no	(N/A)	obligation	2
Pattern 2 (the second type)	HSBC	makes	no	(N/A)	commitment	2
	the Company	undertakes	no	(N/A)	obligation	2
	the Company	undertakes	no	(N/A)	obligation	2
Pattern 6	you	should not place	‘not’ in the verb group	undue	reliance	2
	Investors	should not place	‘not’ in the verb group	undue	reliance	2
	readers	should not place	‘not’ in the verb group	undue	reliance	2
Total						15

Two variant forms of the canonical form are found (Tables 10 and 11). Both ‘noun group + link verb + *not* + noun group’ of Pattern 1 and ‘noun group + *do not* + link verb + (adjective group) + noun group’ of Pattern 3 (N=6 in both cases) are similar to the canonical form in that they comprise two noun groups and a verb with an element of negation. These two variant forms usually have intervening words between the first two grammatical elements, i.e. in Pattern 1, between the first noun group and the link verb (N=6); in Pattern 3, between the first noun group and *do not* (N=2). In addition, an adjective group (*actual* and *substantial*) is inserted between the link verb *constitute* and the second noun group containing *commitment(s)* in four of the six instances of Pattern 3.

*Table 10: Realisations of the variant form ‘noun group + link verb + not + noun group’ (N=6)*

Pattern	noun group	(intervening words)	link verb	not	noun group	No. of instances
Pattern 1	These forward-looking statements	reflect the Group’s views as of the date hereof with respect to future events and	are	not	a guarantee of future performance or developments.	2
	these forward-looking statements	reflect the Company’s current views with respect to future events and	are	not	a guarantee of the Company’s future performance.	2
	The forward-looking statements	reflect the Group’s current views with respect of [to] future events and	are	not	a guarantee of future performance.	2
Total						6

*Table 11: Realisations of the variant form ‘noun group + do not + link verb + (adjective group) + noun group’ (N=6)*

Pattern	noun group	(intervening words)	do not	link verb	adjective group	noun group	No. of instances
Pattern 3	plans mentioned	(N/A)	do not	constitute	(N/A)	a commitment by the Bank to its investors.	2
	Such statements	(N/A)	do not	constitute	actual	commitments to investors.	2
	plans,	if involved,	do not	constitute	substantial	commitment to investors, and ... (clause)	2
Total							6

A closer examination of the canonical form (N=15) and two variant forms (N=12) suggests that the combination of the ‘hinge’ with an element of negation (realised by *any*, *no* or *not*) and the ‘thing denied’ could be considered the canonical functional components. This structure of elements (21 times) is found in all the instances of Pattern 1 (N=6), Pattern 2 (N=9), and Pattern 3 (N=6) (Tables 12-14).

*Table 12: Realisations of the canonical functional elements in Pattern 1 (N=6)*

Hinge		intervening word	Thing denied	No. of instances
link verb	not	(N/A)	noun group	
are	not	(N/A)	a guarantee of future performance or developments.	2
are	not	(N/A)	a guarantee of the Company’s future performance.	2
are	not	(N/A)	a guarantee of future performance.	2
Total				6

*Table 13: Realisations of the canonical functional elements in Pattern 2 (N=9)*

Hinge		intervening word	Thing denied	No. of instances
The first type of pattern 2				
verb group	<i>any/no</i>	(N/A)	noun group	
assume	(a) any	(N/A)	obligation	1
assume	(a) no	(N/A)	obligation	2
The second type of pattern 2				
verb group	no	(N/A)	noun group	
makes	no	(N/A)	commitment	2
undertakes	no	(N/A)	obligation	2
undertakes	no	(N/A)	obligation	2
Total				9

*Table 14: Realisations of the canonical functional elements in Pattern 3 (N=6)*

Hinge		intervening word	Thing denied	No. of instances
<i>do not</i>	link verb	adjective group	noun group	
do not	constitute	(N/A)	a commitment by the Bank to its investors.	2
do not	constitute	actual	commitments to investors.	2
do not	constitute	substantial	commitment to investors, and ... (clause)	2
Total				6

### **Integrated discussion of findings**

Of all the functional categories in the legal statements of disclaimers, the ‘thing denied’ is the most frequently used across the six patterns (N=35), found in all instances of Patterns 1-3 and Pattern 5, and eight of the ten instances of Pattern 4. In the two types of Pattern 2, the component was found twice in each of the instances of the first type and once in the second type. It was used once in the other four patterns. The respective realisations of the ‘thing denied’ in the patterns are shown in Table 15.

*Table 15: The ‘thing denied’ in Patterns 1-5*

Pattern	Thing denied	No. of the ‘thing denied’
Pattern 1	a guarantee of... - future performance or developments (N=2) - the Company’s future performance (N=2) - future performance (N=2)	6
Pattern 2 (the first type)	First label: obligation (N=3) Second label: liability in the event that any of the forward-looking statements or opinions do/does not materialise or turns out to be incorrect (N=3)	6

Pattern 2 (the second type)	- commitment (N=2) - obligation (N=4)	6
Pattern 3	- a commitment by the Bank to its investors (N=2) - commitment(s) to investors (N=4)	6
Pattern 4 (embedded in the <i>that</i> -clauses)	- results to differ, in some instances materially (N=4) - results to differ, in some cases materially (N=2) - results to differ materially (N=2)	8
Pattern 5 (embedded in the adjective clauses)	- results or performance (N=2) - performance, financial condition or results of operations of the Company (N=1)	3

Table 15 shows that the writers of different companies' interim and annual reports tend to use similar expressions to convey the 'thing denied'; for example, *guarantee*, *future performance*, *obligation*, *liability*, *commitment*, and *results*. These noun groups refer to the companies' legal responsibility and the things which may or may not happen in the future. The use of the expressions acknowledges the presence of the claims relating to the future, i.e. the forward-looking statements, in the reports.

The disclaiming function of Patterns 1-3 is conveyed through the use of the combination of the 'thing denied' and an element of negation, which is represented by *any*, *no*, or *not*; for example, *are not a guarantee of future performance or developments* in Pattern 1, *assume any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report* in Pattern 2 (the first type), *makes no commitment to revise or update any forward-looking statements* in Pattern 2 (the second type), and *do not constitute actual commitments to investors* in Pattern 3.

Different from Patterns 1-3, the 'thing denied' in Patterns 4 and 5 is used in the *that*-clauses (see Table 6) and adjective clauses (see Table 7), respectively. The realisations contain noun groups *results*, *performance* and *financial condition*, which refer to different aspects of a company. Both *that*-clauses and adjective clauses in the respective patterns express the 'risks'. With the absence of a negation element (realised by *not*, *any*, or *no*) and the absence of the noun groups *guarantee*, *obligation*, *liability*, or *commitment*, the meaning of disclaiming in Patterns 4 and 5 appears to be conveyed in a more implicit way. Nevertheless, the meaning can still be inferred successfully, as discussed above.

The purpose of a disclaimer is to disclaim the claims of a company which are described in the 'claim carrier' in the reports. The 'claim carrier', found in all instances of Patterns 1, 3 and 5, is the subject of the verb in each instance. It is realised by a noun group containing *forward-looking statements* in all instances of Pattern 1 (N=6) and Pattern 5 (N=3), and by *plans mentioned* (N=2), *such statements* (N=2) and *plans* (N=2) in Pattern 3. The presence of the 'claim carrier' in the disclaimers indicates the need of the writers of the reports to refer to the claims expressed by the forward-looking statements and the description about company's plans. The limited number of realisations of the 'claim carrier' can be seen as an indicator of the preciseness of the language for writing disclaimers.

The absence of the 'claim carrier' in the other three patterns, i.e. Patterns 2, 4 and 6, indicates that there are other ways to express the meaning of 'claim' in a legal statement of disclaimers. They are a combination of the 'thing denied' and the 'restriction on denial' in



Patterns 2 and 4, and a combination of the ‘dependence’ and the ‘restriction on dependence’ in Pattern 6. In Patterns 2 (both types) and 4, the ‘thing denied’ is followed by the ‘restriction on denial’. The ‘restriction on denial’ provides more information about the ‘thing denied’. The ‘restriction on denial’ is realised by one or two *to*-infinitive clauses in all instances of Pattern 2 (N=9) and a prepositional group embedded in a *that*-clause in eight of the ten instances of Pattern 4 (Table 16).

Table 16: The ‘thing denied’ and the ‘restriction on denial’ in Patterns 2 and 4

Pattern	The combination		No. of the combination
	Thing denied	Restriction on denial	
Pattern 2 (the first type)	obligation	to correct or update the forward-looking statements or opinions contained in this Annual Report	3
Pattern 2 (the second type)	commitment	to revise or update any forward-looking statements to reflect events or circumstances occurring or existing	2
	obligation	to publicly update or revise any forward-looking statement that is contained in this report	2
	obligation	to update these statements	2
Pattern 4 (embedded in the <i>that</i> -clause)	results to differ, in some instances materially,	from those anticipated or implied in any forward-looking statement	4
	results to differ, in some cases materially,	from those implied or anticipated in any forward looking statement or assessment of risk	2
	results to differ materially	from the expectations expressed in any of the Company’s forward-looking statements	2

Table 16 shows that the ‘restriction on denial’ of Pattern 2 (both types) focuses on the accuracy of information disclosed in the forward-looking statements, while that of Pattern 4 focuses on the results (in terms of *performance, operations and developments* of a company) anticipated and implied in the forward-looking statements or the expectations expressed in the statements. Generally speaking, both of these meanings are related to the contents and also the implied meanings of the forward-looking statements, i.e. the claims of a company. In these two patterns, the meaning of the ‘claim’ is not conveyed by the ‘claim carrier’, as the ‘claim carrier’ is absent. On the contrary, it is incorporated into a combination of the ‘thing denied’ and the ‘restriction on denial’.

Similarly, the meaning of the ‘claim’ is expressed through a combination of ‘dependence’ and ‘restriction on dependence’ in all instances of Pattern 6. The two functional elements are realised by (1) *reliance on any forward-looking information or statements* (N=2), (2) *reliance on these forward-looking statements* (N=2), and (3) *reliance*

on the Company's forward-looking statements (N=2), which refer to the extent to which the readers can rely on the forward-looking statements, i.e. what has been claimed by the company.

## CONCLUSIONS

Based on an analysis of disclaimers in interim and annual reports of fifty companies listed in Hong Kong, this paper has described a local grammar of disclaimers. This local grammar is specific to the use of legal language for performing a disclaiming function in company reports. The taxonomy of language elements and their mapping functional categories represents the range of lexico-grammatical, semantic and functional choices that report writers of listed companies made to disclaim legal liability and deny legal claims in company interim and annual reports. Each of the elements plays a specific role in performing a disclaiming function in the reports examined. This finding is reinforced by the results of a canonical form and its variants.

This study contributes to the field of research on local grammars, with conclusions affirming Hunston and Sinclair's (2000) view that analyses of texts of particular language use which adopt a local grammar approach would be more simple, precise and useful than using a general grammar:

It would be simple in that each local grammar would use a limited number of terms, although the number of local grammars might need to be fairly extensive. It would be precise in that each local grammar could be stated in its own terms, without the need to fit in with more general statements. It would be useful because the terminology used would be reasonably transparent and would immediately relate the grammar and lexis of each part of the text to its discourse function. (p. 101)

This study on a local grammar of disclaimers in company reports offers insights into the language, meaning and function of disclaimers. Future studies may focus on the disclaimers in other contexts, such as emails, websites, press releases, advertisements, and reports and publications of the government and different types of companies; they may compare the patterns of disclaimers in different contexts and discuss the extent to which the functional category labels created can be equally applicable to the analysis of disclaimers in other contexts of communication.

From the point of view of language learners and teachers, Hunston (2002: 157) argues that local grammars can be superior to general grammars because it is more useful to know 'that a clause is an "Evaluated Entity" than that it is an object etc.'. The suggestion is relevant particularly to the syllabus design and material writing for courses in ESP or Languages for Business Purposes.

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