

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

During the year ended 31 December 2019, the Group entered into certain interest rate swap contracts to hedge its exposure arising from borrowings carried at floating rates. Under these interest rate swap contracts, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. These interest rate swap contracts had the economic effect of converting borrowings from floating rates to fixed rates and were qualified for hedge accounting. Details of the Group's outstanding interest rate swap contracts as at 31 December 2019 have been disclosed in Note 38.

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2019 RMB'Million	2018 RMB'Million
Interest rate swaps		
Carrying amount (non-current (liabilities)/assets)	(494)	1,663
Notional amount	29,423	77,630
Maturity date	30/7/2021~ 11/4/2024	28/6/2019~ 8/12/2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	(2,139)	181
Change in value of hedged item used to determine hedge effectiveness	(2,139)	181
Weighted average hedged rate for the year	2.10%	1.60%



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(a) Market risk (continued)

(iii) Interest rate risk (continued)

Swaps currently in place cover majority of the floating-rate borrowing and notes payable principal outstanding.

As at 31 December 2019 and 2018, management considered that any reasonable changes in the interest rates would not result in a significant change in the Group's results as the Group's exposure to cash flow interest-rate risk arising from its borrowings and notes payable carried at floating rates after considering the effect of hedging is considered to be insignificant. Accordingly, no sensitivity analysis is presented for interest rate risk.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and deposits placed with banks and financial institutions, accounts receivable, other receivables, as well as short-term investments measured at amortised cost, at FVOCI and at FVPL. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The majority of the balances of accounts receivable are due from advertising customers and agencies, content production related customers, FinTech and cloud customers and third party platform providers. To manage the risk arising from accounts receivable, the Group has policies in place to ensure that revenues of credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit periods granted to these customers are disclosed in Note 30 and the credit quality of these customers are assessed, which takes into account their financial position, past experience and other factors. The Group has a large number of customers and there is no concentration of credit risk.

Other receivables are mainly comprised of loans to investees and investees' shareholders, rental deposits and other receivables. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

