

Electric vehicles

Chinese ride-hailing group Didi to sell smart vehicle unit to Xpeng

Da Vinci project faced difficulties obtaining production licence from Beijing



Chinese electric-vehicle maker Xpeng plans to incorporate Didi's technology in a new EV brand launching next year © Hector Retamal/AFP/Getty Images

Gloria Li in Hong Kong AN HOUR AGO

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Chinese ride-hailing group Didi has curtailed its car-making ambitions with the sale of a business unit to electric-vehicle manufacturer Xpeng, as new entrants in the EV industry find it harder to gain production licences from Beijing.

Its smart EV business will be sold for HK\$5.84bn (\$744mn), the two companies said on Monday. The unit had been developing a car project known internally as Da Vinci, which involved taking a stake in heavily indebted state-backed automaker Guoji Zhijun and making cars at its plant in the south-eastern city of Ganzhou.

However, the project faced difficulties obtaining an EV production licence, as [officials delayed and tightened approvals](#) to address growing overcapacity in the industry. Chinese electric-car makers have cut back production, with the utilisation rate of Chinese EV factories as low as 30 per cent, Citi analysts estimated this month.

Under the deal, [Didi](#) will work with Xpeng in other areas, including operating Xpeng's models on Didi's ride-sharing platform and providing marketing, financial and insurance services, as well as areas covering charging, robotaxis and international market expansion, the companies said.

[Xpeng](#) said it would leverage Didi's project to help it launch an EV model next year under its Mona brand, targeting the mass market at a price point of about Rmb150,000 (\$20,000).

"It's a win-win cooperation," said Owen Chen, an analyst with S&P Global Mobility, "Xpeng can enter the B2B market by selling cars to Didi... while Didi can also employ more smart taxis developed by other automakers in the future."

Xpeng has adopted a "very aggressive" strategy, added Chen. The launch of the new brand was its attempt to capture the mid-range segment, priced between Rmb150,000 and Rmb200,000, a stronghold of internal combustion engine vehicles in China, he said.

Didi will acquire 3.25 per cent of Xpeng's shares upon completion of the deal, which could increase to 5.26 per cent if the new model hits an annual sales target of 180,000 units for two consecutive years.

Last month, Xpeng sold a 5 per cent stake to German car giant Volkswagen for \$700mn as part of a deal to jointly develop two Volkswagen-badged EV models for the Chinese market by 2026. Analysts said the agreement would improve Xpeng's finances and supply chain management.

Xpeng's Hong Kong-listed shares rose as much as 16.2 per cent on Monday after news of the partnership with Didi.

This article has been corrected to clarify that the unit sold by Didi is its internal smart EV business and not the Didi Autonomous Driving unit it [spun off](#) in 2019.