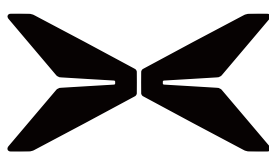


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XPeng Inc.
小鹏汽车有限公司*

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock Code: 9868)

FRAMEWORK AGREEMENT ON STRATEGIC TECHNICAL COLLABORATION ISSUE OF NEW SHARES UNDER GENERAL MANDATE

INTRODUCTION

On 26 July 2023, Guangdong Xiaopeng Motors (a wholly-owned subsidiary of the Company) and the Investor entered into the Technical Framework Agreement on strategic technical collaboration. The parties are cooperating on a technical feasibility study and discussions between the parties are continuing to agree the detailed terms and conditions of the strategic technical collaboration. The objective of the strategic technical collaboration is to leverage each other's complementary strengths and forge a long term win-win strategic partnership.

Underpinned by the vision of the strategic partnership and significant synergies, the Company and the Investor simultaneously entered into (1) the Share Purchase Agreement, pursuant to which the Investor has conditionally agreed to subscribe for and purchase from the Company, and the Company has conditionally agreed to issue and allot the Subscription Shares (which are in the form of Class A ordinary shares), at the Purchase Price of US\$15 per ADS (equivalent to HK\$58.6 per Class A ordinary share based on each ADS representing two Class A ordinary shares and an exchange rate of HK\$7.8096 to US\$1.00) for an expected total consideration of approximately US\$700 million in cash (taking into consideration additional Shares that may be issued prior to closing of the Share Purchase Agreement) and (2) the Investor Rights Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as of the date of this announcement, the Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

THE SHARE PURCHASE AGREEMENT

(1) Date

26 July 2023

(2) Parties

(i) The Company as the issuer

(ii) The Investor (or a nominee of the Investor, which is an affiliate of the Investor) as the subscriber

(3) Number of Class A ordinary shares to be issued

The total number of Class A ordinary shares to be issued by the Company to the Investor under the Share Purchase Agreement will represent 4.99% of the total issued and outstanding Shares of the Company as enlarged by the Subscription Shares at closing of the Share Purchase Agreement with a cap of 94,666,666 Class A ordinary shares. The final number of the Subscription Shares will be determined on the date falling five business days prior to the closing date or such other date mutually agreed between the parties in writing. The Company will make a further announcement when the final number of Subscription Shares is determined. For illustration purpose only, based on the par value of US\$0.00001 per Class A ordinary share and the 1,731,504,008 Shares issued and outstanding as of the date of this announcement, the total nominal value of the Subscription Shares to be issued is expected to be approximately US\$909.39954.

An application will be made by the Company to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in the Subscription Shares.

(4) Purchase Price

The Purchase Price of US\$15 per ADS (equivalent to HK\$58.6 per Class A ordinary share based on each ADS representing two Class A ordinary shares and an exchange rate of HK\$7.8096 to US\$1.00) represents:

(i) a discount of approximately 3.2% to the closing price of HK\$60.5 per Class A ordinary share as quoted on the Hong Kong Stock Exchange on 26 July 2023, being the date of the Share Purchase Agreement; and

(ii) a discount of approximately 2.0% to the average closing price of approximately HK\$59.8 per Class A ordinary share as quoted on the Hong Kong Stock Exchange for the last 5 consecutive trading days up to and including 26 July 2023.

For illustration purpose only, based on the 1,731,504,008 Shares issued and outstanding as of the date of this announcement, the Subscription Shares will comprise 90,939,954 Class A ordinary shares and the total Purchase Price for all the Subscription Shares is US\$682 million. The net Purchase Price (after deducting related costs and expenses to be payable by the Company) is approximately US\$15 per ADS (equivalent to HK\$58.6 per Class A ordinary share based on each ADS representing two Class A ordinary shares and an exchange rate of HK\$7.8096 to US\$1.00). The Company will make a further announcement when the final total Purchase Price is determined.

The Purchase Price was determined after arm's length negotiations after taking into account the recent market price of the Class A ordinary shares and the ADSs and the current market conditions. The Directors (including the independent non-executive Directors) consider that the Purchase Price is fair and reasonable under the current market conditions and is in the interests of the Company and the Shareholders as a whole.

(5) Ranking

The Subscription Shares, upon issuance, will rank *pari passu* in all respects with other existing Class A ordinary shares in issue.

(6) Conditions precedent

Completion of the subscription under the Share Purchase Agreement is subject to the fulfilment (or waiver, if applicable) of the following conditions:

- (i) the obtaining of the required registration and filings with applicable governmental or regulatory bodies in the PRC in respect of the Investment and such registration and filings remaining in full force and effect;
- (ii) no applicable laws having been enacted by any governmental authority that make illegal the consummation of the Investment;
- (iii) no legal proceeding having been initiated or threatened in writing by any governmental authority after the date of the Share Purchase Agreement that seeks to prohibit the consummation of the transactions contemplated under the Share Purchase Agreement and the Investor Rights Agreement or to make them illegal;
- (iv) the New York Stock Exchange having authorized the listing application and the Hong Kong Stock Exchange having granted listing of and permission to deal in the Subscription Shares; and
- (v) if required, a relevant antitrust authority has granted clearance required under applicable laws for the consummation of the transactions contemplated under the Share Purchase Agreement.

As of the date of this announcement, the above conditions are yet to be satisfied.

(7) Termination

The Share Purchase Agreement may be terminated by the Investor or the Company pursuant to the termination provisions contained in the Share Purchase Agreement, including the closing of the Share Purchase Agreement not having occurred by March 31, 2024 or the valid termination of the Technical Framework Agreement by the non-breaching party in accordance with the terms thereof due to a material breach of certain provisions in the Technical Framework Agreement.

(8) Others

The Share Purchase Agreement also contains customary representations, warranties and indemnities from the Company to the Investor, and vice versa.

INVESTOR RIGHTS AGREEMENT

Lock up

Under the Investor Rights Agreement, the Investor has agreed that, upon the completion of the Share Purchase Agreement, it shall not sell, transfer or dispose of any Subscription Shares until the earlier of (i) two years after the closing and (ii) the start of production of the first BEV, subject to customary exceptions and early terminations.

In order to show support to the Investment, Mr. Xiaopeng He has also undertaken to the Company that, for a term that is similar to the duration of the lock-up restrictions to which the Investor is subject, the Shares that are beneficially owned by Mr. Xiaopeng He will represent at least 50.01% of the aggregate voting power of the total issued and outstanding Shares, subject to customary exceptions and early terminations.

Observer appointment and director nomination arrangements

Under the Investor Rights Agreement, the Company has agreed to appoint an individual nominated by the Investor to act as a non-voting observer to the Board. Any such observer appointed shall be subject to obligations of non-disclosure of, and no improper use of, confidential information (including inside information) relating to the Company's business and the Company's insider trading policies and procedures, as if such observer is a Director. The Investor shall enjoy the observer arrangement from the closing of the Share Purchase Agreement and for so long the Investor (and its affiliates) continuously holds not less than 3% of the total issued and outstanding Shares.

If the Investor's (and its affiliates') holding of the total issued and outstanding Shares reaches 5% within 6 months after completion of the Share Purchase Agreement and thereafter is continuously maintained, the Investor shall be entitled to present a candidate to the nomination committee of the Board and the Board for consideration for appointment as a Director. Upon approval by the nomination committee of the Board and the Board, the Company shall appoint such candidate as a Director in compliance with the memorandum and articles of association of the Company and applicable laws and regulations.

The above arrangements are subject to receiving the confirmation or no objection from the relevant regulatory body. At any one time, the Investor could only enjoy the observer appointment or director nomination arrangement and not both.

GENERAL MANDATE

The Subscription Shares will be issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed at the annual general meeting held on 20 June 2023. Pursuant to such mandate, the Directors were granted authority to issue up to 345,318,696 additional Class A ordinary shares, representing 20% of the total number of issued Shares as at 20 June 2023.

Since the grant of the general mandate on 20 June 2023 and up to the date of this announcement, the Directors have not exercised their power to allot and issue any new Class A ordinary shares pursuant to such general mandate. Accordingly, the issue of Class A ordinary shares by the Company pursuant to the Investment will fall within the limit of the general mandate and will not be subject to approval by the Shareholders.

EFFECT ON THE SHARE CAPITAL STRUCTURE

The share capital of the Company (a) as at the date of this announcement; and (b) immediately upon closing of the Share Purchase Agreement are and will be as follows (assuming there will be no other changes in the share capital of the Company from the date of this announcement up to closing of the Share Purchase Agreement):

	As at the date of this announcement	Immediately upon closing of the Share Purchase Agreement
Number of Class A ordinary shares	1,382,795,751 ^(Note)	1,473,735,705 ^(Note)
Number of Class B ordinary shares	348,708,257	348,708,257
Total	<u>1,731,504,008</u>	<u>1,822,443,962</u>

Note: Excluding 5,812 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under our 2019 Equity Incentive Plan as of the date of this announcement.

INFORMATION OF THE COMPANY AND THE INVESTOR GROUP

The Company

XPENG is a leading Chinese Smart electric vehicle (EV) company that designs, develops, manufactures, and markets Smart EVs that appeal to the large and growing base of technology-savvy middle-class consumers. Its mission is to drive Smart EV transformation with technology, shaping the mobility experience of the future. In order to optimize its customers' mobility experience, XPENG develops in-house its full-stack advanced driver-assistance system technology and in-car intelligent operating system, as well as core vehicle systems including powertrain and the electrical/electronic architecture. XPENG is headquartered in Guangzhou, China, with main offices in Beijing, Shanghai, Silicon Valley, San Diego and Amsterdam. XPENG's Smart EVs are mainly manufactured at its plants in Zhaoqing and Guangzhou, Guangdong province. The Class A ordinary shares and the ADSs of the Company are listed on the Hong Kong Stock Exchange and the New York Stock Exchange, respectively.

The Investor Group

The Volkswagen Group is one of the first and most successful international partners in China's automobile industry, growing with it for about four decades. The success story began in 1978 when the Volkswagen Group first began to communicate with its Chinese counterparts. In 1984, SAIC Volkswagen Corporation Ltd., Volkswagen Group's first joint venture in China, was founded in Shanghai, followed by FAW-Volkswagen Corporation Ltd. in 1991. Then, in 2017, the Group launched Volkswagen (Anhui) Automotive Company Limited with a mission to manufacture NEVs in China for China. Shortly, thereafter, in 2021, the Audi FAW NEV Company was incorporated, focusing on the manufacture of luxury NEVs in China. Volkswagen Group China's business scope includes the production, sales and services of vehicles and parts, such as engines and transmissions. The Volkswagen Group is represented by many auto brands in all segments, including Volkswagen Passenger Cars Brand, Volkswagen Commercial Vehicles, Audi, ŠKODA, JETTA, Porsche, Bentley, Lamborghini, and Ducati, etc. Since entering the Chinese market, the Volkswagen Group has taken the leading market position, and with its joint venture partners, it delivered 3.18 million vehicles in Chinese Mainland and Hong Kong in 2022. As of the end of 2022, Volkswagen Group China has over 90,000 employees in China.

REASONS FOR THE COLLABORATION AND INVESTMENT

On 26 July 2023, the Group and the Investor entered into the Technical Framework Agreement on strategic technical collaboration and the Share Purchase Agreement for strategic minority investment by the Investor in the Company. The objective of the strategic technical collaboration is to leverage each other's complementary strengths and forge a long-term win-win strategic partnership. Underpinned by the vision of the strategic partnership and significant synergies, the Company and the Investor simultaneously entered into the Share Purchase Agreement.

In connection with the strategic technical collaboration, the Company and the Volkswagen Group will jointly develop two B-class BEV models for sale in the Chinese market under Volkswagen brand, leveraging respective core competencies and XPENG's G9 platform and Connectivity and ADAS software. The models are expected to start production (such start of production, "SOP") in 2026.

Furthermore, the parties will explore additional potential strategic cooperation in a number of areas, including collaboration on future EV platforms, software technologies and supply chain.

The discussion on the strategic technical collaboration is ongoing and is subject to the positive outcome of a project feasibility study.

"The Volkswagen Group and XPENG each brings in highly complementary strengths into this long-term strategic partnership. We will share Smart EV technologies and world-class design and engineering capability with each other and learn from each other." Said Mr. Xiaopeng He, Chairman and CEO of XPENG. "Since the founding of XPENG, we have been developing full-stack technologies from EV platform to Connectivity and ADAS software in house. We are excited about the opportunity to contribute our expertise to the strategic partnership and create value for XPENG and our shareholders"

Mr. Ralf Brandstätter, Volkswagen AG board member for China, commented, "Local partnerships are a key building block in the Volkswagen Group's 'in China for China' strategy. Together with XPENG, we are now forming a strong cooperation and speeding up the expansion of our local electric portfolio and at the same time preparing ourselves for the next step change in innovation. In an intensely competitive and dynamic market environment we are leveraging the partners' core competences, thus creating synergies to bring additional products to market faster — aligned with the special wishes of Chinese customers. At the same time, we can significantly optimize development and procurement costs."

The Board considers the terms of the Share Purchase Agreement and the Investor Rights Agreement, which were arrived at after arm's length negotiations, are fair and reasonable and the Investment is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Company expects that the gross proceeds from the Investment to be approximately US\$700 million (taking into consideration additional Shares that may be issued prior to closing of the Share Purchase Agreement) and the net proceeds from the Investment will be approximately US\$700 million, after deducting related costs and expenses payable by the Company.

The Company plans to use the net proceeds of the Investment for general corporate purposes, including working capital needs.

The foregoing represents our intentions as of the date of this announcement with respect to the use and allocation of the net proceeds of the Investment based upon our present plans and business conditions, but our management will have flexibility and discretion in applying the net proceeds of the Investment. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of the Investment in a manner other than as described above, which will be announced as appropriate.

To the extent that the net proceeds we receive from the Investment are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

During the past twelve months immediately before the date of this announcement, the Company has not conducted any equity fund raising activity.

The Share Purchase Agreement may be terminated pursuant to the termination provisions contained therein. In addition, completion of the Investment is subject to fulfilment of the conditions thereunder. As the Investment may or may not proceed, shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“2019 Equity Incentive Plan”	the equity incentive plan of the Company approved and adopted in June 2020, as amended and restated in August 2020 and June 2021
“ADAS”	advanced driver assistance systems
“ADSs”	American depositary shares, each of which represents two Class A ordinary shares
“BEV”	battery electric vehicles
“Board”	the board of directors of the Company
“Class A ordinary shares”	Class A ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class A ordinary share one vote per share on all matters subject to the vote at general meetings of the Company

“Class B ordinary shares”	Class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class B ordinary share is entitled to ten votes per share on all matters subject to the vote at general meetings of the Company, subject to the requirements under Rule 8A.24 of the Listing Rules
“Company” or “XPENG”	XPeng Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, the Class A ordinary shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the ADSs of which are listed on New York Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries and consolidated variable interest entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Guangdong Xiaopeng Motors”	Guangdong Xiaopeng Motors Technology Co., Ltd. (廣東小鵬汽車科技有限公司), a company established with limited liability under the laws of the PRC and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Investment”	the strategic minority investment by the Investor in the Company to subscribe for the Subscription Shares in accordance with the terms and conditions of the Share Purchase Agreement
“Investor”	Volkswagen (China) Investment Co., Ltd. (大眾汽車(中國)投資有限公司), a company established with limited liability under the laws of the PRC
“Investor Rights Agreement”	the investor rights agreement entered into by the Company and the Investor (and a nominee of the Investor, which is an affiliate of the Investor) dated 26 July 2023, which shall become effective upon the closing of the Share Purchase Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NEV”	new energy passenger vehicles
“PRC” or “China”	the People’s Republic of China, but for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchase Price”	the price for the Subscription Shares at which the Investor will subscribe for the Subscription Shares, which has been represented as the price per two Class A ordinary shares
“Share(s)”	the Class A ordinary shares and Class B ordinary shares in the share capital of the Company, as the context so requires
“Share Purchase Agreement”	the agreement relating to the Investment, which is entered into by the Investor and the Company on 26 July 2023
“Shareholder(s)”	the holder(s) of Shares and, where the context requires, ADSs
“Subscription Shares”	the new Class A ordinary shares to be subscribed by the Investor (or its nominee) under the Share Purchase Agreement, which number to be determined on the date falling five business days prior to the closing date of the Investment (or such other date mutually agreed between the parties in writing) and shall represent 4.99% of the total issued and outstanding Shares as enlarged by the Subscription Shares at closing of the Share Purchase Agreement with a cap of 94,666,666 Class A ordinary shares
“Technical Framework Agreement”	framework agreement on the proposed strategic technical collaboration, which is entered into by the Investor and Guangdong Xiaopeng Motors on 26 July 2023
“United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States
“Volkswagen Group China”	Part of the Volkswagen Group that conducts business in the PRC

**“Investor Group” or
“Volkswagen Group”**

Volkswagen AG, a company incorporated under the laws of Germany with limited liability, the shares of which are listed on Frankfurt Stock Exchange in Germany (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW) and all of its subsidiaries (including the Investor)

“%”

per cent

By order of the Board
XPeng Inc.
Xiaopeng He
Chairman

Hong Kong, 26 July 2023

This announcement contains forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the Company’s goals and strategies; the Company’s expansion plans; the Company’s future business development, financial condition and results of operations; the trends in, and size of, China’s EV market; the Company’s expectations regarding demand for, and market acceptance of, its products and services; the Company’s expectations regarding its relationships with customers, contract manufacturers, suppliers, third-party service providers, strategic partners and other stakeholders; general economic and business conditions; and assumptions underlying or related to any of the foregoing. All information provided in this announcement is as of the date of this announcement, and the Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

As at the date of this announcement, the board of directors of the Company comprises Mr. Xiaopeng He as an executive Director, Mr. Yingjie Chen, Mr. Ji-Xun Foo and Mr. Fei Yang as non-executive Directors, and Mr. Donghao Yang, Ms. Fang Qu and Mr. HongJiang Zhang as independent non-executive Directors.

* For identification purpose only