

PRESS RELEASE

Kinesis Trims Fat in Major Management Shakedown for its Mountain Cycle Brand; New Business Model and Strategic Partnership in Negotiation and Planning

Portland, OR—On March 30, 2006, the board of directors at Kinesis Industrial Co. Ltd., elected to restructure the business model and management team for its Mountain Cycle brand.

According to Kinesis board member and Mountain Cycle President Michael Chen, indecisiveness and a lack of motivation and vision on the part of several members of Mountain Cycle's executive team compromised the company's ability to keep pace with growth categories in the bicycle industry. This restructuring was necessary to refocus the Mountain Cycle brand on its core business: freeride and extreme terrain bicycles.

Regarding the decline that led to Mountain Cycle's restructuring, Michael Chen says this:

“When it was started in 1987, Mountain Cycle pioneered motocross-inspired monocoque suspension frames for the emerging downhill MTB scene. After Kinesis bought the beleaguered company from its founder in 2002, the management team in charge of advancing the brand strayed from the company's core values and products. After a string of misguided niche-market introductions like our road and cyclocross frames, Mountain Cycle's core customer didn't recognize the brand any more.”

After eliminating the position of Mountain Cycle General Manager and downsizing the company's R&D and marketing departments, Chen and other executives at Mountain Cycle's parent company started developing a new business model for the brand. Says Michael Chen regarding that new plan:

“Mountain Cycle is a venerable and recognized brand in the freeride and downhill scenes. Kinesis Taiwan is a leading O.E. manufacturer of high-performance frames for many of the best bike companies in the world. These cogs in the Mountain Cycle machine are well

engineered and finely tuned. To make Mountain Cycle a success, all it needs is a sales and distribution partner who understands the market and the brand.”

Talks are currently underway with several candidates who have shown interest in taking over the Mountain Cycle brand. More concrete decisions will be made after the Sea Otter Classic on April 9. Until then, daily operations for Mountain Cycle are still happening at the company’s headquarters in Portland, OR. Any parties interested in buying overstock inventory or capital assets (manufacturing equipment, team vehicles, etc.) should contact Michael Chen at (503) 294-1012 extension 11.