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CITY NETWORK INC
Form DEFA14A
May 04, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- | | |
|---|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, For Use of the |
| <input type="checkbox"/> Definitive Proxy Statement | Commission Only (as permitted |
| <input checked="" type="checkbox"/> Definitive Additional Materials | by Rule 14a-6(e) (2)) |
| <input type="checkbox"/> Soliciting Material Pursuant to | |
| Rule 14a-11(c) or Rule 14a-12 | |

CITY NETWORK, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

 Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount Previously Paid: _____

2) Form, Schedule or Registration Statement No.:

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3) Filing Party: _____

4) Date Filed: _____

On April 26, 2006, City Network, Inc. filed the following Form 8-K, which it is delivering to you to supplement its Proxy Statement for its Special Meeting of Stockholders to be held on May 12, 2006.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act 1934

Date of Report (Date of earliest event reported): April 20, 2006

City Network, Inc.
(Exact name of registrant as specified in charter)

Nevada
(State or other jurisdiction of incorporation)

001-31954
(Commission File Number)

98-0467944
(IRS Employer Identification No.)

2F-1, No. 16, Jian Ba Road, Jhonghe City
Taipei County, 235, Taiwan, ROC
(Address of principal executive offices)

N/A
(Zip Code)

Registrant's telephone number, including area code: 011-886-2-8226-5566

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 24, 2006, City Network, Inc. (the "Company") issued a press release announcing financial results for the fiscal year ended December 31, 2005, a going concern qualification, and the resignation of Mr. Tiao-Tsan Lai, a copy of which is attached hereto as Exhibit 99.1 and is incorporated by reference herein in its entirety.

ITEM 5.02. DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS, APPOINTMENT OF PRINCIPAL OFFICERS.

On April 20, 2006, Mr. Tiao-Tsan Lai notified the Company of his resigned as the Chief Executive Officer, Chairman of the Board of Directors, and President of the Company.

There were no disagreements between Mr. Lai and the Company on any matter relating to the Company's operations, policies or practices, which resulted in

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his resignation.

On April 23, 2006, the Board of Directors of the Company appointed Ms. Alice Chen to serve as the Chief Executive Officer, Chairman of the Board of Directors, and President of the Company.

Ms. Chen has been Vice President and a director of the Company since October 2002. Ms. Chen has been Vice General Manager of Sales and Marketing and a director of City Network - Taiwan, a wholly-owned subsidiary of the Company, since January 1999. During this time, Ms. Chen implemented and developed the Company's worldwide sales and marketing plan. Before joining the Company and City Network - Taiwan, Ms. Chen had ten years of experience working for the Taiwanese National Security Agency as a national policy analyst. Additionally, Ms. Chen spent three years working as head of sales and marketing for a Taiwanese public company.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

99.1 Press release dated April 24, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CITY NETWORK, INC.

By: /s/ Alice Chen

Name: Alice Chen
Title: Chairman, President and Chief
Executive Officer

Dated: April 25, 2004

INDEX TO EXHIBITS

No.	Description
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99.1	Press release dated April 24, 2006.

EXHIBIT 99.1

CITY NETWORK, INC. ANNOUNCES FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005, GOING CONCERN QUALIFICATION, AND RESIGNATION OF MR. TIAO-TSAN LAI

TAIPEI, Taiwan, April 24, 2006 /PRNewswire-FirstCall/ -- City Network, Inc. (Amex: CSN), a company that designs, manufactures, and markets a comprehensive line of broadband and wireless Internet access solutions and consumer electronic products, announced financial results for the year end December 31, 2005. Net sales for the year ended December 31, 2005 totaled \$14,320,409, compared to \$15,674,613 for ten months ended December 31, 2004. The decrease in revenues for the year ended December 31, 2005 was due to a decline in the amount of sales of certain merchandise.

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Net loss after tax was \$1,057,476 or \$0.038 per share for the year ended December 31, 2005, compared to net loss after tax of \$964,660 or \$0.035 per share for the ten months ended December 31, 2004.

Furthermore, cost of revenue for the year ended December 31, 2005 totaled \$12,881,717, compared to \$14,924,938 for the ten months ended December 31, 2004. The decrease in cost of revenues was due to a decrease in sales.

The Company also announced that gross profit increased due to the higher margin of certain merchandise and their decline in cost but not their sales price for the year ended December 31, 2005.

The Company reported that its independent registered public accounting firm included an explanatory paragraph in their opinion in connection with the 2005 audit, relating to the Company's ability to continue as a going concern.

In addition, Mr. Tiao-Tsan "Andy" Lai announced that he will resign from his positions as the Company's Chairman, President and Chief Executive Officer and will be replaced by Ms. Alice Chen, who currently serves as a member of the board of directors of the Company and who will assume the responsibilities of Mr. Lai's positions immediately.

ABOUT CITY NETWORK INC.

For more information about City Network, Inc., please visit <http://www.citynetwork.com.tw>.

SAFE HARBOR UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The statements which are not historical facts contained in this press release are forward-looking statements that involve certain risks and uncertainties including but not limited to risks associated with the uncertainty of future financial results, regulatory approval processes, the impact of competitive products or pricing, technological changes, the effect of economic conditions and other uncertainties as may be detailed in City Network's filings with the Securities and Exchange Commission. Nothing in this press release shall be construed as an offer to buy or sell any securities herein.

- FINANCIAL TABLE FOLLOWS -

CITY NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FISCAL YEAR ENDED DECEMBER 31, 2005 AND TEN MONTHS ENDED DECEMBER 31, 2004

	December 31, 2005	December 31, 2004
Sales, net	\$ 14,320,409	\$ 15,670,000
Cost of sales	12,881,717	14,924,938
Gross Profit	1,438,692	745,062
General and administrative expenses	1,535,808	1,390,000
Income (loss) from operations	(97,116)	(644,938)

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Other (Income) Expense		
Interest income	(8,985)	(
Rental income	(187,020)	(1
Commission income	(3,846)	
(Gain) loss on currency exchange	9,721	(1
Other income (expense)	24,518	(3
Reserve for bad debt	848,517	18
Equity in earnings of investee	38,167	(5
Miscellaneous	12,791	
Loss on sale of fixed assets	78,247	3
Interest expense	147,914	11
	-----	-----
Total Other (Income) Expense	960,024	20
	-----	-----
Income (loss) before income taxes	(1,057,140)	(85
Provision for income taxes	336	10
	-----	-----
Net income (loss)	\$ (1,057,476)	\$ (96
	=====	=====
Net income (loss) per share (basic and diluted)		
Basic	\$ (0.038)	\$ (
Diluted	\$ (0.038)	\$ (
Weighted average number of shares		
Basic	27,925,720	27,50
Diluted	27,925,720	27,50