

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

FORM 10-KSB

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended April 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-26277

WPCS INTERNATIONAL INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

98-0204758
(I.R.S. Employer
Identification No.)

140 South Village Avenue
Suite 20
Exton, Pennsylvania 19341

(Address of principal executive offices)

(610) 903-0400

(Registrant's telephone number, including area code)

Phoenix Star Ventures, Inc.
2438 Marine Drive, Suite 215
West Vancouver, British Columbia, Canada V7V 1L2
(Former name, former address and former fiscal year,
if changed since last report)

Securities registered pursuant to Section 12(g) of the Act:

None

1

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 13,078,844 shares issued and outstanding as of July 22, 2003.

2

PART I

ITEM 1. - BUSINESS

This Annual Report on Form 10-KSB (including the section regarding Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-KSB.

Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-KSB reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Related to Our Business" below, as well as those discussed elsewhere in this Annual Report on Form 10-KSB. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-KSB. We file reports with the Securities and Exchange Commission ("SEC"). We make available on our website under "Investor Relations/SEC Filings," free of charge, our annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is www.wpcs.com. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-KSB. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Description of the Business

Overview

WPCS International Incorporated is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. WPCS offers the ability to integrate superior solutions across a vast majority of communication requirements.

History

3

On May 17, 2002, pursuant to an agreement and plan of merger, Phoenix Star Ventures Inc., a publicly held Delaware corporation, through its wholly owned subsidiary WPCS Acquisition Corp., acquired WPCS Holdings Inc., a Delaware corporation by issuing 5,500,000 shares of its common stock to shareholders of WPCS Holdings, Inc. in exchange of all the outstanding shares of WPCS Holdings, Inc. Concurrently with the acquisition, Phoenix Star Ventures Inc. changed its name to WPCS International Incorporated ("WPCS" or the "Company").

On November 13, 2002, we entered into an agreement and completed a merger with Invisinet Acquisitions Inc., a wholly owned subsidiary of the Company, and Invisinet, Inc. ("Invisinet"), an unrelated Delaware corporation. Pursuant to the terms of the Agreement and Plan of Merger, Invisinet Acquisitions, Inc. acquired 100% of the common stock of Invisinet, Inc., by issuing 1,000,000 shares of our Common Stock. Subsequently, Invisinet Acquisitions Inc. was merged into Invisinet, Inc. with Invisinet, Inc. being the surviving company. Invisinet specializes in providing wireless solutions and deployment services for indoor wireless connectivity and for mobile wireless connectivity.

On December 30, 2002, through our wholly owned subsidiary Walker Comm Merger Corp., we acquired all of the outstanding common stock of Walker Comm, Inc. ("Walker"), a Fairfield, CA based full service contractor specializing in the engineering and installation of fiber optics, voice & data cabling, audio/visual systems, networking and the hardware sales of LAN systems - routers, hubs, switches, etc. As a result of and at the effective time of the merger, all of the issued and outstanding shares of common stock of Walker were exchanged for aggregate merger consideration consisting of \$500,000 in cash and 2,486,000 of our Common Shares. Subsequently on that date, the subsidiary was merged with and into Walker, with Walker being the surviving corporation. Walker then became a wholly owned subsidiary of WPCS.

In June 2003, WPCS entered into a Letter of Intent to acquire Calyborn Contracting Group, Inc.. Founded in 1988, Clayborn Contracting is a diversified project services firm that operates primarily on the west coast. As a diverse services engineering company, Clayborn Contracting has designed and installed smart highway systems and substations for state and local municipalities in California. In addition, Clayborn Contracting has performed structured cabling,

underground and utility work.

Our Business

Connecting a company's network is critical in achieving the timely flow of information. Today, a company's network expands beyond its existing headquarters to remote offices and remote users. The networking applications are larger and the demand for high-speed connectivity to move data back and forth is growing dramatically. Until recently, a company's only alternative in obtaining high-speed connectivity was to contact the telephone company and have a high-speed landline service installed so that connectivity could be achieved between its locations. The issue today is that these high-speed landlines

4

take too much time to install, are not available in all locations, do not solve remote application usage and are costly to use on a monthly basis.

WPCS was formed to take advantage of the growing demand in high-speed connectivity by providing complete wireless solutions including best of breed wireless products, engineering services, structured cabling and deployment. WPCS offers the ability to integrate superior solutions across the vast majority of communication requirements.

There are multiple products associated with the deployment of a wireless solution including microwave equipment, free space optical equipment and specialty components. There are also important services such as site design, product integration, structured cabling, network security, training and technical support. . The integration of all these products and services is critical in achieving the desired results for the customer. The specific products used and services offered vary depending on the connection speed required and distances between points. WPCS provides specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment to corporations, government entities and educational institutions both domestically and internationally.

WPCS defines wireless deployment as the internal and external design and installation of a wireless solution to support connectivity between two or more points without the utilization of landline infrastructure.

End users turn to WPCS to design and integrate a wireless solution, as there are many components from various technology providers. Wireless solutions can offer a user the following.

- o High-speed connectivity
- o Immediate installation
- o Network ownership o Low costs

WPCS also provides network security, trains end users and provides on-going technical support to insure a successful installation.

Sales and Marketing

We market and sell our engineering services through a direct team of sales and project engineering professionals.

Customers

We provide specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment to many major corporations, government entities and educational institutions. At April 30, 2003, we had a backlog of approximately \$4,800,000 on its uncompleted contracts.

Competition

Our market is relatively competitive and is represented typically by small service providers. We believe that the principal competitive factors in our market include the ability to deliver results within budget (time and cost), reputation, accountability, staffing flexibility, project management expertise, industry experience and competitive pricing. In addition, expertise in new and evolving technologies has become increasingly important. We believe that the ability to integrate these technologies from multiple

5

vendors gives us a competitive advantage. Our ability to compete also depends on a number of additional factors which are outside of our control, including:

- o competitive pricing for similar services;
- o the ability and willingness of our competitors to finance customers' projects on favorable terms;
- o the ability of our customers to perform the services themselves; and

- o the responsiveness of our competitors to customer needs.

Internal Growth Strategy

WPCS generates revenue opportunities through bid responses, end user referrals, contracting assignments from technology providers and subcontracting assignments from general infrastructure providers. WPCS maintains strong relationships with these sources. Also, WPCS, through its subsidiaries, is listed on the Federal GSA Schedule for government contracts. WPCS gains national recognition through press releases, testimonials and its website. WPCS has also gained recognition in its unique deployment of wireless solutions for vertical applications.

Acquisition Strategy

The primary goal is to build WPCS into a recognized leader in specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. To meet this challenge, WPCS is planning to make acquisitions of companies familiar with the deployment of these solutions. The goal for each acquisition will be to expand the product and services offering, strengthen our project services capabilities, expand the customer base and add accretive revenue and earnings. At the present time, WPCS has no plans, arrangement or agreements for any acquisitions, other than Clayborn Contracting Group, Inc.

Management Strategy

In anticipation of internal growth and future acquisitions, the company will organize resources to manage the company's development effectively. The president is responsible for strategic direction, operations, corporate governance and building shareholder value.

The financial officer is responsible for overall financial management, financial reporting and corporate administration. The strategic development officer is focused on strategic issues such as acquisition candidates, investor relations, corporate marketing and major account opportunities.

The Executive VP is tasked with business integration, creating operational efficiencies and operations management for a set number of acquired companies. As each acquisition occurs, personnel will increase in a variety of capacities.

Employees

As of July 31, 2003, we employed 81 full time employees, of which 62 are project engineers, nine are project managers, five are in administration and five are executives. The project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe our relations with all of our employees are good.

6

RISK RELATED TO BUSINESS

You should carefully consider the following risk factors and all other information contained herein as well as the information included in this Annual Report in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, other than those we describe below, that are not presently known to us or that we currently believe are immaterial, may also impair our business operations. If any of the following risks occur, our business and financial results could be harmed. You should refer to the other information contained in this Annual Report, including our consolidated financial statements and the related notes.

Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows down, our business may be harmed.

The wireless industry has historically experienced a dramatic rate of growth both in the United States and internationally. Recently, however, many end users have been re-evaluating their network deployment plans in response to downturns in the capital markets, changing perceptions regarding industry growth, the adoption of new wireless technologies, increased price competition and a general economic slowdown in the United States and internationally. It is difficult to predict whether these changes will result in a downturn in the wireless industry. If the rate of growth should slow down and end users continue to reduce their capital investments in wireless infrastructure or fail to expand their networks, our business may be significantly harmed.

The uncertainty associated with rapidly changing wireless technologies may also continue to negatively impact the rate of deployment of wireless networks and the demand for our services. End users face significant challenges in assessing their bandwidth demands and in acceptance of rapidly changing enhanced wireless capabilities. If end users continue to perceive that the rate of

acceptance of next generation wireless products will grow more slowly than previously expected, they may, as a result, continue to slow their deployment of next generation wireless technologies. Any significant slowdown will reduce the demand for our services and adversely affect our financial results.

The increase of services offered by equipment vendors could adversely impact our business.

Recently, the wireless equipment vendors have increased the services they offer for their technology. This activity and the potential continuing trend towards offering services may lead to a greater ability among equipment vendors to provide a comprehensive range of wireless services, and may simplify integration and installation, which could lead to a reduction in demand for our services. Moreover, by offering certain services to end users, equipment vendors could reduce the number of our current or potential customers and increase the bargaining power of our remaining customers, which may adversely impact our business.

Our quarterly results fluctuate and may cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and will likely fluctuate in the future. As a result, we believe that period to period comparisons of our results of operations are not a good indication of our future performance. A number of factors, many of which are outside of our control, are likely to cause these fluctuations.

The factors outside of our control include:

- o Wireless market conditions and economic conditions generally;
- o The timing and size of wireless deployments by end users.
- o fluctuations in demand for our services;
- o the length of sales cycles;
- o the ability of certain customers to sustain capital resources to pay their trade accounts receivable balances;
- o reductions in the prices of services offered by our competitors; and
- o Costs of integrating technologies or businesses that we add. The factors substantially within our control include:
 - o changes in the actual and estimated costs and time to complete fixed-price, time-certain projects that may result in revenue adjustments for contracts where revenue is recognized under the percentage of completion method;
 - o the timing of expansion into new markets, both domestically and internationally; and
 - o the timing and payments associated with possible acquisitions.

Because our operating results may vary significantly from quarter to quarter, our operating results may not meet the expectations of securities analysts and investors, and our common stock could decline significantly which may expose us to risks of securities litigation, impair our ability to attract and retain qualified individuals using equity incentives and make it more difficult to complete acquisitions using equity as consideration.

Our business is dependent upon our ability to keep pace with the latest technological changes.

The market for our services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments could result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenues from creating wireless networks that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing client preferences.

Failure to properly manage projects may result in costs or claims.

Our engagements often involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors, and our own personnel, in a timely manner. Any defects or errors or failure to meet clients' expectations could result in claims for substantial damages

against us. Our contracts generally limit our liability for damages that arise from negligent acts, error, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we will incur, which could exceed revenues realized from a project. Finally, if we miscalculate the resources or time we need to complete a project with capped or fixed fees, our operating results could be seriously harmed.

8

Potential future acquisitions could be difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.

We intend to expand our operations through acquisitions over time. This may require significant management time and financial resources because we may need to integrate widely dispersed operations with distinct corporate cultures. Our failure to manage future acquisitions successfully could seriously harm our operating results. Also, acquisition costs could cause our quarterly operating results to vary significantly. Furthermore, our stockholders would be diluted if we financed the acquisitions by incurring convertible debt or issuing securities. To the extent we acquire an international operation; we will face additional risks, including:

- o difficulties in staffing, managing and integrating international operations due to language, cultural or other differences;
- o different or conflicting regulatory or legal requirements;
- o foreign currency fluctuations; and
- o diversion of significant time and attention of our management.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and other trading market rules, are creating uncertainty for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest all appropriate resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our President, Andrew Hidalgo, owns approximately 41% of our Common Shares.

As of the date hereof, Andrew Hidalgo, our President, beneficially owned, in the aggregate, approximately 41% of our outstanding common stock. As a result, Mr. Hidalgo is able to exercise significant control over matters requiring stockholder approval, such as the election of directors and the approval of significant corporate transactions. These types of transactions include transactions involving an actual or potential change in control or other transactions that the non-controlling stockholders may deem to be in their best interests and in which such stockholders could receive a premium for their shares.

We have a history of operating losses

We incurred a net losses of approximately \$381,000 for the year ended April 30, 2003. There can be no assurance that we will achieve or sustain profitability or positive cash flow from operating activities in the future. If we cannot achieve operating profitability or positive cash flow from operating activities, we may not be able to meet our working capital requirements.

We may be unable to obtain the additional capital required to grow our business.

Our ability to grow depends significantly on our ability to expand our operations through internal growth and by acquiring other companies or assets that require significant capital resources. We may need

9

to seek additional capital from public or private equity or debt sources to fund our growth and operating plans and respond to other contingencies such as:

- o shortfalls in anticipated revenues or increases in expenses;
- o the development of new services; or
- o the expansion of our operations, including the recruitment of additional personnel.

We cannot be certain that we will be able to raise additional capital in the future on terms acceptable to us or at all. If alternative sources of financing are insufficient or unavailable, we may be required to modify our growth and operating plans in accordance with the extent of available financing.

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock" for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- o that a broker or dealer approve a person's account for transactions in penny stocks; and
- o the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- o obtain financial information and investment experience objectives of the person; and
- o make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- o sets forth the basis on which the broker or dealer made the suitability determination; and
- o that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent

10

price information for the penny stock held in the account and information on the limited market in penny stocks.

ITEM 2 - PROPERTIES

Our principal executive offices are located in approximately 2,000 square feet of office space in Exton, Pennsylvania. The lease for such space expires in November 2004. The aggregate annual base rental for this space is \$28,000.

In conjunction with acquisitions that occurred in 2002, we assumed the operating leases of additional office space in the following locations:

Location	Lease Expiration Date	Minimum Annual Rental
-----	-----	-----
Fairfield, California (a)	February 28, 2011	\$89,000
Rocklin, California	January 31, 2004	\$17,000
Livermore, California	October 31, 2003	\$20,000
Denville, New Jersey	month-to-month	

(a) The lease for our Fairfield, California location is with trusts, of which, certain officers and shareholders of the Company are the trustees. We believe that our existing facilities are suitable and adequate to meet our current business requirements.

ITEM 3 - LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these

or other matters may arise from time to time that may harm the Company's business. The Company is currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

11

PART II

ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

During the fiscal year ended April 30, 2003, our common stock was quoted on the over-the-counter bulletin board under the symbol "WPCS". The following table sets forth the range of the high and low bid quotations for our common stock for the periods indicated. Such market quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not necessarily represent actual transactions.

2003	High	Low
First quarter	\$2.55	\$0.07
Second quarter	1.90	1.35
Third quarter	2.08	1.05
Fourth quarter	1.95	1.11

As of July 22, 2003, there were approximately 53 holders of record of our common stock and the closing bid quotation of our common stock was \$1.12 per share.

Dividend Policy

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on the Common Shares in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

12

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Overview

WPCS International Incorporated is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity ("WiFi") deployment and fixed wireless deployment. WPCS offers the ability to integrate superior solutions across a vast majority of communication requirements.

Significant Transactions and Events

On May 17, 2002, pursuant to the agreement and plan of merger, Phoenix Star Ventures Inc. ("PSVI"), a publicly held corporation, acquired WPCS Holdings Inc., a Delaware corporation ("Holdings") by issuing 5,500,000 shares of its common stock to shareholders of Holdings in exchange of all the outstanding shares of Holdings. The shareholders of Holdings, after the acquisition, owned the majority of the combined company. Accordingly, the combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, Holdings is the accounting acquirer and PSVI is the accounting acquiree. Concurrently with the acquisition, PSVI, the parent company, changed its name to WPCS International Incorporated.

On November 13, 2002, the Company entered into an agreement and completed a merger with Invisinet Acquisitions Inc., a wholly owned subsidiary of the Company, and Invisinet, Inc. ("Invisinet"), an unrelated Delaware corporation. Pursuant to the terms of the Agreement and Plan of Merger, Invisinet Acquisitions, Inc. acquired 100% of the common stock of Invisinet, by issuing 1,000,000 shares of the Company's common stock with a fair value of \$1,750,000, based on the average value of the Company's common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Invisinet, the Company recognized goodwill of approximately \$1,627,000. Subsequently, Invisinet Acquisitions Inc. was merged into Invisinet with Invisinet being the surviving company. Invisinet is in the same business as the Company, providing fixed wireless technology solutions to its customers.

On December 30, 2002, the Company through its wholly owned subsidiary Walker Comm Merger Corp. ("Subsidiary") acquired all of the outstanding common stock of Walker Comm, Inc. ("Walker"). The aggregate consideration paid by the Company for the entire equity interest in Walker was approximately \$5,171,000. As a result of and at the effective time of the merger, all of the issued and outstanding shares of common stock, par value \$1.00 per share, of Walker were exchanged for aggregate merger consideration consisting of \$500,000 in cash and the common stock of the Company with a value of approximately \$4,574,000, or 2,486,000 shares valued at \$1.84 per share based on the average value of the Company's common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Walker, the Company recognized goodwill of approximately \$3,762,000. Subsequently on that date, the Subsidiary was merged with and into Walker, with Walker being the surviving corporation. Walker then became a wholly owned subsidiary of WPCS.

Results of Operations

Fiscal Year ended April 30, 2003 Compared to period November 15, 2001 (date of inception) to April 30, 2002

Operating Revenues

13

Sales were approximately \$5,423,000 and \$402,000 for the years ended April 30, 2003 and the period ended April 30, 2002, respectively. The primary reason for the increase in revenues comparing 2003 to 2002 is attributable to the two acquisitions made by the Company in November 2002 of Invisinet and December 2002 of Walker. These acquisitions accounted for \$4,720,000 or 94% of the increase in revenues over the prior year.

Cost of Sales

In the case of WPCS and Invisinet, cost of sales consists of component and material costs and direct labor cost payments to third party sub-contractors for its installation. For Walker, cost of sales consists of direct costs on contracts, including materials, labor, and other overhead costs. The Company's gross margin varies from job to job. For the year ended April 30, 2003 and the period ended April 30, 2002, gross margin was 30.5% and 33.6%, respectively.

Selling expenses

Selling expenses include expenses incurred for marketing and promotional activities. For the year ended April 30, 2003 and for the period ended April 30, 2002, selling expenses were approximately \$28,000 and \$4,900, respectively. We expect selling expenses to increase in the near future as we start to market our products and services in expanded markets.

General and administrative expenses

For the year ended April 30, 2003, general and administrative expenses were \$1,833,000. Included in the general and administrative expenses are \$714,000 paid for salaries, commissions and payroll taxes and \$374,000 for professional fees. Walker employs union employees for whom it paid \$239,000 in union benefits. Insurance costs amounted to \$146,000 and rent for our office facilities amounted to \$100,000. Other general and administrative expenses amounted to \$260,000.

For the period November 15, 2001 to April 30, 2002, general and administrative expenses were \$112,000. Included in the general and administrative expenses are \$54,000 paid for salaries, commissions and payroll taxes, rent for our office facilities amounted to \$10,000 and \$6,000 in professional fees. The Company incurred \$17,000 in travel and entertainment expenses to develop new business and paid \$7,000 in telephone expenses. Other general and administrative expenses amounted to \$18,000.

Depreciation and amortization

Depreciation for the year ended April 30, 2003 was \$75,000 as compared to \$2,600 for the period ended April 30, 2002. The increase is due to the acquisition of fixed assets on acquiring Walker and Invisinet. The amortization expense for the year ended April 30, 2003 was \$41,000. We acquired customer lists from Walker and Invisinet which are being amortized over a period of five years from the date of their acquisition.

Net (loss) income from operations

We incurred a net loss of approximately \$381,000 from operations for the year ended April 30, 2003, as compared to a net income of \$11,000 for the period ended April 30, 2002. We acquired Walker and Invisinet during the third quarter of our fiscal year 2003 resulting in increase in selling, general and administrative expenses.

14

Liquidity and capital resources

At April 30, 2003, we had working capital of approximately \$1,435,000, which consisted of current assets of approximately \$3,264,000 and current liabilities of \$1,829,000. Current assets included \$168,000 in cash, \$2,805,000 in accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, \$78,000 in inventories, \$143,000 in prepaid expenses and \$70,000 in current portion of deferred tax assets. Current liabilities included \$1,494,000 in accounts payable, accrued expenses and billings in excess of costs and estimated earnings on uncompleted contracts, \$100,000 payable to an officer of the Company, \$58,000 payable to shareholders of the company, \$23,000 in current lease obligations and equipment loans payable, \$24,000 in income taxes payable and \$129,000 in current portion of deferred tax liabilities.

We used approximately \$965,000 in cash from operating activities during the year ended April 30, 2003. This was mainly comprised of a \$381,000 net operating loss for the year ended April 30, 2003, offset by \$153,000 in net non-cash charges, a \$676,000 net increase in accounts receivables, \$10,000 increase in costs and estimated earnings in excess of billings on uncompleted contracts, \$100,000 increase in prepaid expenses, offset by a \$2,000 decrease in inventory, \$27,000 increase in accounts payable and billings in excess of costs and estimated earnings on uncompleted contracts and \$20,000 increase in income taxes payable.

The Company's investing activities utilized approximately \$165,000, which consisted of \$500,000 paid for the acquisition of Walker to its shareholders, \$54,000 paid as acquisition costs for acquiring Invisinet and Walker, offset by approximately \$178,000 received in cash on acquisition of these businesses. The Company collected on a note receivable in connection with the acquisition of Invisinet in the amount of \$173,000. Additionally, \$38,000 was received on disposition of property and equipment, net of acquisitions.

The Company's financing activities generated cash of approximately \$1,282,000 during the year ended April 30, 2003. This was comprised of \$1,455,000 from proceeds of the sale of Series B and Series C Preferred Stock to investors in a private placement, \$3,000 of cash received from PSVI on reverse acquisition, \$100,000 received as a loan from an officer of the Company, offset by repayment of \$200,000 bank line of credit, \$55,000 in repayment of notes payable and principal on capital lease obligations and \$21,000 due to a stockholder.

Our capital requirements depend on numerous factors, including market for our products and services, the resources we devote to developing, marketing, selling and supporting our products and services, the timing and extent of establishing additional markets and other factors. We expect that our cash and income from operations will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. After that, we may need to raise additional funds for a number of uses. We may not be able to obtain additional funds on acceptable terms, or at all. We expect to devote substantial capital resources to search for, investigate and, potentially, acquire new businesses, companies or technologies. We acquired Invisinet and Walker primarily by issuing the Company's common stock. The sale of additional equity or convertible debt securities may result in additional dilution to our shareholders.

On June 25, 2003, (and amended July 24, 2003), the Company offered in a private placement memorandum, up to 100 units (the Units) for sale to accredited investors at a price of \$25,000 per Unit (the Offering). The Offering is on a "best efforts" basis of a minimum offering of \$1,000,000 and a maximum offering of \$2,500,000. Each Unit consists of (i) 44,444 shares of the Company's common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of \$0.90 per share (the Warrants). The Warrants may be redeemed in whole or in part

15

at the option of the Company, if the closing price of the Company's common stock is at least \$1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. In connection with the offering, the placement agent was issued warrants to purchase 665,000 shares of the Company's common stock, exercisable for a period of three years at an exercise price of \$0.75 per share. On July 22, 2003, we received net proceeds of \$898,000 from the Offering.

In June 2003, WPCS entered into a Letter of Intent to acquire Calyborn Contracting Group, Inc.. Founded in 1988, Clayborn Contracting is a diversified project services firm that operates primarily on the west coast. As a diverse services engineering company, Clayborn Contracting has designed and installed smart highway systems and substations for state and local municipalities in California. In addition, Clayborn Contracting has performed structured cabling, underground and utility work. The proposed terms of the acquisition include:

- o the payment of \$900,000 at closing;
- o the issuance at closing of such number of shares of our common stock as equals \$1,000,000, based on the market price of the stock at the time of closing; and
- o \$1,100,000, payable by the delivery to the Clayborn shareholders

of 50% of the post tax net income of Clayborn, payable on a quarterly basis.

A definitive agreement with respect to acquisition has not been executed to date and there can be no assurance that such acquisition will be completed on the foregoing terms, or at all.

Critical Accounting Policies

Financial Reporting Release No. 60, published by the SEC, recommends that all companies include a discussion of critical accounting policies used in the preparation of their financial statements. The Company's significant accounting policies are summarized in Note 2 of its consolidated financial statements. While all these significant accounting policies impact its financial condition and results of operations, the Company views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on the Company's consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

The Company believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on the Company's consolidated results of operations, financial position or liquidity for the periods presented in this report.

The accounting policies identified as critical are as follows:

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. The most significant estimates relate to estimation of percentage of completion on uncompleted contracts, valuation of inventory, allowance for doubtful accounts and estimated life of customer lists. Actual results could differ from those estimates.

16

Accounts receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts.

Goodwill and other Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets. We assess the impairment of goodwill annually in our fourth fiscal quarter and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. Intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. We are required to make judgments and assumptions in identifying those events or changes in circumstances that may trigger impairment. Some of the factors we consider include:

- o Significant decrease in the market value of an asset
- o Significant changes in the extent or manner for which the asset is being used or in its physical condition
- o A significant change, delay or departure in our business strategy related to the asset
- o Significant negative changes in the business climate, industry or economic conditions
- o Current period operating losses or negative cash flow combined with a history of similar losses or a forecast that indicates continuing losses associated with the use of an asset

In view of the generally weak current economic climate, we are periodically evaluating whether an impairment of our amortizable intangible assets and other long-lived assets has occurred. Our evaluation includes an analysis of estimated future undiscounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If the estimated future undiscounted net

cash flows are insufficient to recover the carrying value of the assets over the remaining estimated useful lives, we will record an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. We determine fair value based on discounted cash flows using a discount rate commensurate with the risk inherent in our current business model. If, as a result of our analysis, we determine that our amortizable intangible assets or other long-lived assets have been impaired, we will recognize an impairment loss in the period in which the impairment is determined. Any such impairment charge could be significant and could have a material adverse effect on our financial position and results of operations. Major factors that influence our cash flow analysis are our estimates for future revenue and expenses associated with the use of the asset. Different estimates could have a significant impact on the results of our evaluation.

We performed our annual review for goodwill impairment in the fourth quarter of fiscal 2003 and tested for goodwill impairment in each reporting unit that contains goodwill. Our tests found that no impairment existed. Our impairment review is based on comparing the fair value to the carrying value of

17

the reporting units with goodwill. The fair value of a reporting unit is measured at the business unit level using a discounted cash flow approach that incorporates our estimates of future revenues and costs for those business units. Reporting units with goodwill include our Invisinet business unit, which are operating segments within our fixed wireless reportable segment, and our Walker Comm structured cabling reporting unit, which is a reportable segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

Deferred Income Taxes

We determine deferred tax liabilities and assets at the end of each period based on the future tax consequences that can be attributed to net operating loss and credit carryovers and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using the tax rate expected to be in effect when the taxes are actually paid or recovered. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

We consider past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. Our forecast of expected future taxable income is based over such future periods that we believe can be reasonably estimated. Changes in market conditions that differ materially from our current expectations and changes in future tax laws in the U.S. may cause us to change our judgments of future taxable income. These changes, if any, may require us to adjust our existing tax valuation allowance higher or lower than the amount we have recorded.

Revenue recognition

Wireless sales

Revenue consists of the sale of wireless products and services associated with their deployment. Product sales are recognized when installed and service revenues are recognized when services are provided.

Contracts

The Company records profits on contracts on a percentage-of-completion basis on the cost to cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. The Company includes pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when the Company determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract

18

revenues and contract costs. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated. The elapsed time from award of a contract to completion of

performance may be up to two years.

Recently issued accounting pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for years beginning after June 15, 2002. SFAS No. 143 addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. The impact of the adoption of SFAS No. 143 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 clarifies accounting and reporting for assets held for sale, scheduled for abandonment or other disposal, and recognition of impairment loss related to the carrying value of long-lived assets. The Company has adopted SFAS No. 144 for the year beginning May 1, 2002. The adoption of SFAS 144 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No.146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with and exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. SFAS No.146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of the adoption of SFAS No. 146 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No.148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.123." SFAS No.148 amends SFAS No.123,"Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 and the related SFAS No. 123. The adoption of SFAS 148 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation No.45, ("FIN No. 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No.45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No.45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of

19

5

interim or annual periods ending December 15, 2002. The adoption of the disclosure requirements of FIN No. 45 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No.46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No.46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal

year on interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has not adopted FIN No.46 for the year ended April 30, 2003. The Company does not expect FIN 46 to have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of our first quarter for fiscal 2004. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial position, results of operations or cash flows.

Forward Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. Those statements include statements regarding the intent, belief or current expectations of the Company and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in the Company's other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. The Company believes that its assumptions are based upon reasonable data derived from and known about its business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of the Company's future activities will not differ materially from its assumptions.

20

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

	Page
<S>	<C>
Reports of Independent Public Accountants	F-2 - F-3
Consolidated Balance Sheet as of April 30, 2003	F-4 - F-5
Consolidated Statements of Operations for the year ended April 30, 2003 and for the period November 15, 2001 (date of inception) to April 30, 2002	F-6
Consolidated Statement of Shareholders' Equity for the year ended April 30, 2003 and for the period November 15, 2001 (date of inception) to April 30, 2002	F-7
Consolidated Statements of Cash Flows for the year ended April 30, 2003 and for the period November 15, 2001 (date of inception) to April 30, 2002	F-8 -F- 9
Notes to Consolidated Financial Statements	F-10 - F- 29

The Board of Directors and Shareholders of
WPCS International Incorporated

We have audited the accompanying consolidated balance sheet of WPCS International Incorporated and Subsidiaries as of April 30, 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2003, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/ s / J.H. COHN LLP

Roseland, New Jersey
August 13, 2003

F-2

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
WPCS Holdings, Inc.

I have audited the accompanying consolidated statement of operations, changes in shareholders' equity and cash flows for the period November 15, 2001 (date of inception) to April 30, 2002, of WPCS Holdings, Inc. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of WPCS Holdings, Inc. for the year ended April 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

/S/ Leonard Friedman

East Meadow, New York
July 1, 2002

F-3

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES (FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED BALANCE SHEET

APRIL 30, 2003

ASSETS

<TABLE>
<CAPTION>
<S>

CURRENT ASSETS:

Cash and cash equivalents	\$ 167,547
Accounts receivable, net of allowance of \$11,779	2,397,236
Costs and estimated earnings in excess of billings on uncompleted contracts	408,194

<C>

Inventory	77,775
Prepaid expenses	143,113
Deferred tax assets	70,000

Total current assets	3,263,865
PROPERTY AND EQUIPMENT	647,951
CUSTOMER LISTS, net of accumulated amortization of \$41,000	499,000
GOODWILL	5,388,882
OTHER ASSETS	21,528

Totals	\$ 9,821,226

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

F-4

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED BALANCE SHEET

APRIL 30, 2003

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>
<C>

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$
1,278,443	
Billings in excess of costs and estimated earnings on uncompleted contracts	
215,819	
Current maturities of capital lease obligations	
2,294	
Current maturities of equipment loans payable	
21,268	
Note Payable, officer	
100,000	
Due to shareholders	
58,207	
Income taxes payable	
23,700	
Deferred income taxes, current portion	
129,000	

Total current liabilities
1,828,731

Capital lease obligations, net of current maturities
4,608

Deferred income taxes, net of current portion
527,000

Total Liabilities
2,360,339

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Preferred Stock - \$0.0001 par value, 5,000,000 shares authorized

Series C Convertible Preferred Stock, 1,000 shares designated, 1,000 shares
issued and outstanding at April 30, 2003,
liquidation preference \$1,000,000

-

Common Stock - \$0.0001 par value,
 30,000,000 shares authorized, 13,078,844 shares issued and outstanding
 at April 30, 2003

1,308
 Additional paid-in capital
 8,002,639
 Accumulated deficit
 (543,060)

 Total shareholders' equity
 7,460,887

Totals
 9,821,226

 \$

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

F-5

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
 (FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

	Year Ended April 30, 2003	For the period November 15, 2001 (date of inception) to April 30, 2002
	----- <C> -----	----- <C> -----
SALES	\$ 5,422,858	\$ 402,289
COST OF SALES	3,768,495	267,032
	-----	-----
GROSS PROFIT	1,654,363	135,257
	-----	-----
OPERATING EXPENSES:		
Selling expenses	27,741	4,857
General and administrative expenses	1,833,086	112,246
Provision for doubtful accounts	38,779	-
Depreciation and amortization	116,501	2,570
	-----	-----
Total	2,016,107	119,673
	-----	-----
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(361,744)	15,584
Provision for income taxes	(19,550)	(4,350)
	-----	-----
NET LOSS (INCOME)	(381,294)	11,234
Imputed dividends accreted on Convertible Series B Preferred stock	(173,000)	-
	-----	-----
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (554,294)	\$ 11,234
	=====	=====
Basic net (loss) income per common share	\$ (0.05)	\$ (0.00)
	=====	=====
Basic weighted average number of common shares outstanding	10,376,685	5,500,000
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements

F-6

<TABLE>

<CAPTION>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEAR ENDED APRIL 30, 2003 AND FOR THE PERIOD NOVEMBER 15, 2001 (DATE OF INCEPTION) TO APRIL 30, 2002
ADDITIONAL

TOTAL SHAREHOLDERS' EQUITY	PREFERRED STOCK		COMMON STOCK		PAID-IN	ACCUMULATED
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
Issuance of common stock (date of inception, November 15, 2001)	-	\$ -	5,500,000	\$550	\$ 4,450	\$ -
\$ 5,000						
Net income	-	-	-	-	-	11,234
11,234						
BALANCE APRIL 30, 2002	-	-	5,500,000	550	4,450	11,234
16,234						
Effects of reverse acquisition (80,815)	250	1	1,025,632	103	(80,919)	-
Return and retirement of common stock in connection with reverse acquisition	-	-	(500,000)	(50)	50	-
Sale of Series B Preferred stock sold through private placement	455	-	-	-	455,000	-
455,000						
Series B Preferred stock issued in consideration for payment of advances from stockholder and accounts payable	64	-	-	-	64,000	-
64,000						
Conversion of Series A Preferred stock to common stock	(250)	(1)	3,000,000	300	(299)	-
Imputed Series B Preferred stock dividend attributable to beneficial conversion feature	-	-	-	-	173,000	(173,000)
Sale of Series C Preferred stock sold through private placement	1,000	-	-	-	1,000,000	-
1,000,000						
Issuance of common stock for acquisition of Invisinet, Inc.	-	-	1,000,000	100	1,749,900	-
1,750,000						
Issuance of common stock for acquisition of Walker Comm, Inc.	-	-	2,486,000	249	4,574,000	-
4,574,249						
Conversion of Series B Preferred stock to common stock	(519)	-	567,212	56	(56)	-
Stock options granted to an officer in connection with the acquisition of Invisinet, Inc.					63,513	-
63,513						
NET LOSS	-	-	-	-	-	(381,294)
(381,294)						
BALANCE, APRIL 30, 2003	1,000	\$ -	13,078,844	\$ 1,308	\$ 8,002,639	\$ (543,060)
\$7,460,887						

The accompanying notes are an integral part of these consolidated financial statements.

</TABLE>

F-7

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

the period

For

November 15, 2001

inception) to

April 30,

2002

Year Ended

(date of

April 30,

2003

OPERATING ACTIVITIES:

<S>

<C>

<C>

Net (loss) income	\$ (381,294)	\$
11,234		
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	116,501	
2,570		
Provision for doubtful accounts	38,779	
-		
Gain on disposition of fixed assets	(2,085)	
-		
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(676,341)	
(91,183)		
Costs and estimated earnings in excess of billings on uncompleted contracts	(10,087)	
-		
Inventory	2,428	
(7,974)		
Prepaid expenses	(99,789)	
-		
Other Assets	(75)	
(2,242)		
Accounts payable and accrued expenses	182,614	
93,866		
Billings in excess of costs and estimated earnings on uncompleted contracts	(155,539)	
-		
Income taxes payable	19,550	
5,403		
-----		---
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(965,338)	
11,674		
-----		---
INVESTING ACTIVITIES:		
Proceeds from disposition of fixed assets	41,607	
-		
Acquisition of property and equipment	(3,065)	
-		
Proceeds from repayment of note receivable	172,514	
Acquisition of businesses, net of cash acquired	(375,993)	
-		
-----		---
NET CASH USED IN INVESTING ACTIVITIES	(164,937)	
(20,895)		
-----		---
FINANCING ACTIVITIES:		
Cash received in reverse acquisition	3,257	
-		
Proceeds from advances from officers	100,000	
20,743		
Proceeds from sale of preferred stock	1,455,000	
-		
Proceeds from issuance of common stock	-	
5,000		
Repayment of loans payable, shareholder	(20,743)	
Repayment of note payable, bank	(200,000)	
-		
Repayment of equipment loans payable	(53,169)	
-		
Repayments of capital lease obligations	(2,077)	
(968)		
-----		---
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,282,268	
24,775		
-----		---

</TABLE>

F-8
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
FORMERLY PHOENIX STAR VENTURES, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

<TABLE>
<CAPTION>

period	Year Ended	For the
15, 2001	April 30,	November
inception) to	2003	(date of
30,	2003	April
2002	<C>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	151,993	
15,554		
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,554	
-	=====	
=====		
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 167,547	
\$15,554	=====	
=====		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 8,131	\$
640	=====	
=====		
Income taxes	\$ 1,380	\$
200	=====	
=====		
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Equipment acquired under capital lease	\$ 9,468	
-	=====	
Issuance of 64 shares of Series B preferred stock as payment of advances from shareholder and accounts payable	\$ 64,000	
-	=====	
Imputed Series B preferred stock dividend attributable to a beneficial conversion feature	\$ 173,000	
-	=====	
Issuance of common stock for net non-cash assets received in acquisitions	\$ 6,324,249	
-	=====	
Conversion of Series A Preferred stock into common stock	\$ 300	
-	=====	
Conversion of Series B Preferred stock into common stock	\$ 56	
-	=====	
Stock options issued relating to an acquisition	\$ 63,513	
-	=====	
Earn-out consideration unpaid relating to an acquisition	\$ 58,207	
-	=====	

The accompanying notes are an integral part of these consolidated financial statements
</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of WPCS International Incorporated ("WPCS") and its wholly owned subsidiaries, WPCS Acquisition Corp. (which changed its name to WPCS Incorporated) ("Subsidiary"), Invisinet Inc. ("Invisinet") from November 13, 2002 (date of acquisition) and Walker Comm Inc. ("Walker") from December 30, 2002 (date of acquisition), collectively the "Company". For the period November 15, 2001 (date of inception) to April 30, 2002, the statement of operations, shareholders' equity and cash flows are that of WPCS Holdings, Inc. ("Holdings"), the accounting acquirer of the business of Phoenix Star Ventures, Inc. ("PSVI") as explained below.

The Company is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity ("WiFi") deployment and fixed wireless deployment. It provides complete wireless solutions including best of breed wireless products, engineering services and deployment. The Company defines wireless deployment as the internal and external design and installation of a fixed wireless solution to support voice/data/video transmission between two or more points without the utilization of landline infrastructure. The Company generates its revenues from product sales and services. There are multiple products associated with the deployment of a fixed wireless solution including radios, repeaters, amplifiers, antennas, cabling and specialty components. There are also important services such as spectrum analysis, site surveys, site design, tower construction, mounting and alignment.

WPCS is the successor-consolidated entity formed by the merger, on May 17, 2002, of PSVI, Subsidiary, a newly formed, wholly owned subsidiary of PSVI and Holdings, a Delaware corporation.

On May 17, 2002, PSVI a publicly held "shell company", became the legal acquirer of Holdings by issuing 5,500,000 shares of its common stock to the shareholders of Holdings in exchange for all of the outstanding common shares of Holdings. The former shareholders of Holdings, immediately after the business combination, owned the majority of the combined companies. Accordingly, the business combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, Holdings is the accounting acquirer and PSVI is the accounting acquiree. The consolidated financial statements of the Company include the accounts of PSVI since its acquisition. The cost of the acquisition approximated the fair value of the net assets of PSVI that were acquired, and accordingly, assets, liabilities and the outstanding preferred stocks of PSVI were initially recorded at historical carrying values.

On May 24, 2002, PSVI's principal shareholder returned 500,000 shares of its common stock to the Company, without compensation. Subsequently, these common shares were retired and cancelled.

On November 13, 2002, the Company acquired all of the outstanding shares of Invisinet from its shareholders in exchange for an aggregate of 1,000,000 newly issued shares of the Company's common stock. An additional 150,000 shares of the Company's common stock were to be issued to a shareholder, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, the Company and the shareholder mutually agreed to cancel the issuance of these shares and in exchange, issued options to purchase 300,000 shares of the Company's common stock.

F-10

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION (continued)

On December 30, 2002, the Company acquired all of the outstanding shares of Walker in exchange for an aggregate of 2,486,000 newly issued shares of the Company's common stock and \$500,000 cash consideration. An additional \$500,000 is payable contingent upon Walker achieving certain net profits, to be paid in quarterly distributions equal to 75% of net income, which would increase the purchase price.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of consolidation

All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly-liquid investments with an original maturity of three months or less.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company reduces credit risk by placing its temporary cash and investments with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts based on its history of write-offs, current economic conditions and an evaluation of the credit risk related to specific customers.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of \$106,995 which is expected to be collected within one year.

F-11

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of parts and supplies and is stated using the weighted average cost method.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided for, using straight-line methods, in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance are charged to operations as incurred.

Goodwill

Effective May 1, 2002, the Company adopted Statement of Financial Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. In accordance with the guidelines of this accounting standard, goodwill and indefinite-lived intangible assets are no longer amortized but are assessed for impairment on at least an annual basis. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

SFAS No. 142 requires that goodwill be tested for impairment upon adoption and at least annually thereafter, utilizing a two-step methodology. The initial step requires the Company to determine the fair value of the business acquired (reporting unit) and compare it to the carrying value, including goodwill, of such business (reporting unit). If the fair value exceeds the carrying value, no impairment loss would be recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount, if any, of the impairment is then measured in the second step.

The Company completed the initial step of impairment testing which indicated that no goodwill impairment existed as of April 30, 2003. The Company determined the fair value of the businesses acquired for purposes of this test primarily by using a discounted cash flow valuation technique. Significant estimates used in the valuation include estimates of future cash flows, both future short-term and long-term growth rates, and estimated cost of capital for purposes of arriving at a discount factor. Based on comparing this discounted cash flow model to the carrying value of the reporting units, no impairment was recognized in the consolidated statement of operations for the year ended April 30, 2003. On an ongoing basis, the Company expects to perform its annual impairment test during the fourth quarter absent any interim impairment indicators.

F-12

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Wireless sales

Revenue consists of the sale of wireless products and services associated with their deployment. Product sales are recognized when installed and service revenues are recognized when services are provided.

Contracts

The Company records profits on contracts on a percentage-of-completion basis on the cost to cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. The Company includes in operations pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when the Company determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated. The elapsed time from award of a contract to completion of performance may be up to two years.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "Accounting of Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

F-13

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings (loss) Per Share

Earnings (Loss) per common share is computed pursuant to SFAS No. 128, "Earnings Per Share" ("EPS"). Basic income (loss) per share is computed as net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common stock issuable through stock options, restrictive stock awards, warrants and other convertible securities. At April 30, 2003, the Company had 1,000 shares of Series C Convertible Preferred Stock with potential conversion into 1,786,000 common shares of the Company as described in NOTE 12 and 77,000 stock options grants outstanding. Diluted EPS is not presented since the effect of the assumed exercise of options and the assumed conversion of the Series C convertible preferred stock would be antidilutive. At April 30, 2002, no potentially dilutive securities were outstanding.

Stock-Based Compensation Plans

The Company maintains a stock option plan, as more fully described in Note 11 to the consolidated financial statements, which is accounted for using the "intrinsic value" method pursuant to the provisions of Accounting Principles

Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and, accordingly, when the exercise price of an employee stock option granted by the Company is equal to or greater than the market price of the underlying stock on the date of grant, no compensation expense is recognized. Therefore, the Company has elected the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. The most significant estimates relate to the calculation of percentage of completion on uncompleted contracts, allowance for doubtful accounts, valuation of inventory and life of customer lists. Actual results could differ from those estimates.

Recently issued accounting pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for years beginning after June 15, 2002. SFAS No. 143 addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. The impact of the adoption of SFAS No. 143 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

F-14

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently issued accounting pronouncements (continued)

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 clarifies accounting and reporting for assets held for sale, scheduled for abandonment or other disposal, and recognition of impairment loss related to the carrying value of long-lived assets. The Company has adopted SFAS No. 144 for the year beginning May 1, 2002. The adoption of SFAS 144 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No.146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. SFAS No.146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of the adoption of SFAS No. 146 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No.148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.123." SFAS No.148 amends SFAS No.123,"Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 for the year ending April 30, 2003. The adoption of SFAS 148 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation No.45, ("FIN No. 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No.45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No.45 are effective for any guarantees issued or

modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending December 15, 2002. The adoption of the disclosure requirements of FIN No. 45 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

F-15

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently issued accounting pronouncements (continued)

In January 2003, the FASB issued FASB Interpretation No.46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No.46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year on interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has not adopted FIN No.46 for the year ended April 30, 2003. The Company does not expect FIN 46 to have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of our first quarter for fiscal 2004. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial position, results of operations or cash flows.

NOTE 3 - ACQUISITIONS

Invisinet, Inc.

On November 13, 2002, the Company, through its newly formed, wholly-owned subsidiary, acquired all of the outstanding shares of Invisinet. Subsequently on that date, the subsidiary was merged with and into Invisinet, with Invisinet being the surviving corporation. Invisinet then became a wholly owned subsidiary of WPCS.

The acquisition of Invisinet broadens the Company's customer base and expands its technical resources. WPCS concentrates its business in fixed wireless solutions, whereas Invisinet offers wireless fidelity (WiFi) deployment to its customers.

F-16

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - ACQUISITIONS (continued)

Invisinet (continued)

The aggregate consideration paid by WPCS for Invisinet was approximately \$1,828,000. As a result of and at the effective time of the merger, all of the issued and outstanding shares of common stock of Invisinet were exchanged for aggregate merger consideration consisting of 1,000,000 shares of common stock of WPCS with a value of approximately \$1,750,000, based on \$1.75 per share, the average stock price a few days before after the announcement of the merger, and an additional \$15,000 in acquisition costs.

In addition, as an inducement to enter into the merger agreement, the Company agreed to issue a shareholder of Invisinet, who is also the Executive Vice President of the Company, up to 150,000 shares of the Company's common stock, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, the Company and the shareholder mutually agreed to cancel the issuance of these shares and in exchange, issued options to purchase 300,000 shares of the Company's common stock at an exercise price of \$0.45 per share expiring in May 2008. These options were valued at \$63,513 and accordingly, the Company increased goodwill and additional paid-in capital for the same amount at April 30, 2003.

The acquisition of Invisinet was accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill and (or) other intangible assets are recorded to the extent that the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the merger.

The Company obtained an independent valuation of certain assets including its property and equipment, list of major customers, and internally determined the fair value of its other assets and liabilities. The initial purchase price allocation has been adjusted as a result of the independent valuation report with customer lists being valued at \$150,000 resulting in a decrease in goodwill by that amount. Accordingly a deferred tax liability of \$54,000 was recorded since the amortization of the customer list is not available as a tax deduction to the Company. The aggregate changes resulted in goodwill being decreased to \$1,627,044 as of the acquisition date.

F-17

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - ACQUISITIONS (continued)

Invisinet (continued)

<TABLE>

<CAPTION>

The purchase price allocation has been calculated as follows:

<S>	<C>
Assets purchased	
Cash	\$ 132,672
Accounts receivable	111,815
Note receivable	172,514
Inventory	5,228
Fixed assets	3,760
Other assets	1,445
Customer list	150,000
Goodwill	1,627,044

	2,204,478
Liabilities assumed	
Accounts payable	(321,965)
Deferred tax liability	(54,000)

	(375,965)
Purchase price	\$ 1,828,513
	=====

</TABLE>

Customer lists are being amortized over a period of 5 years. The Company recorded amortization expense of \$15,000 for the year ended April 30, 2003. Any future goodwill impairments are not deductible for income tax purposes.

Walker Comm, Inc.

On December 30, 2002, the Company, through its newly formed, wholly-owned subsidiary, acquired all of the outstanding common stock of Walker. Subsequently on that date, the subsidiary was merged with and into Walker, with Walker being the surviving corporation. Walker then became a wholly-owned subsidiary of WPCS.

The acquisition of Walker gives the Company the ability to provide both structured cabling and wireless solutions to its customers along with strengthening its project management capabilities.

The aggregate consideration paid by WPCS for Walker was \$5,171,455 subject to further adjustment as explained below. As a result of and at the effective time of the merger, all of the outstanding shares of common stock, par value \$1.00 per share, of Walker were exchanged for aggregate merger consideration consisting of \$500,000 in cash and the common stock of WPCS with a value of \$4,574,248, or 2,486,000 shares valued at \$1.84 per share based on an average

price a few days before and after the merger was announced and acquisition costs of \$39,000. An additional \$500,000 is payable, provided Walker achieves certain net profits, to be paid in quarterly distributions equal to 75% of net income. At April 30, 2003, \$58,207 was payable to the Walker shareholders against this earn-out provision. Accordingly, the goodwill was increased by \$58,207.

F-18

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARY
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - ACQUISITIONS (continued)

Walker Comm (continued)

The acquisition of Walker was accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141"). Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill and (or) other intangible assets are recorded to the extent that the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the merger.

The Company obtained an independent valuation of certain assets including property and equipment, inventory, list of major customers, contract backlog and internally determined the fair value of its other assets and liabilities. The initial purchase price allocation has been adjusted as a result of the independent valuation report relating to inventory, property and equipment and list of major customers. As a result of the changes in purchase price allocation, property and equipment has increased by \$292,734, inventory has increased by \$67,000, and customer lists by \$390,000 resulting in a decrease in goodwill of \$749,734. Accordingly, a deferred tax liability of \$299,000 was recorded since depreciation and amortization on the step up in the basis of these assets are not deductible for income tax purposes. In addition, the Company has recorded a deferred tax asset of \$70,000 for future tax deductible items. Additionally, Walker, which prior to the acquisition, used the cash basis of accounting for income taxes, changed its tax accounting method to accrual basis starting from the date of acquisition, thus resulting in a deferred tax liability of \$303,000. The Company recorded these deferred tax assets and liabilities and increased the goodwill by a net amount of \$532,000. The aggregate changes resulted in goodwill being decreased to \$3,761,838 as of the acquisition date.

The purchase price allocation has been calculated as follows:

<TABLE>

<CAPTION>

Assets purchased	<C>
<S>	
Cash	\$ 45,335
Accounts receivable	1,556,677
Costs and estimated earnings in excess of billings on uncompleted contracts	398,107
Inventory	67,000
Fixed assets	727,876
Other assets	61,090
Customer lists	390,000
Deferred tax asset	70,000
Goodwill	3,761,838

	7,077,923

</TABLE>

F-19

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARY
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - ACQUISITIONS (continued)

<TABLE>

<CAPTION>

Walker Comm (continued)

Liabilities assumed	<C>
<S>	
Accounts payable	(658,673)
Note payable - Bank	(200,000)
Billings in excess of costs and estimated earnings on uncompleted contracts	(371,358)
Equipment loans payable	(74,437)
Deferred income taxes	(602,000)

(1,906,468)

Purchase price

\$ 5,171,455
=====

</TABLE>

Based on the independent valuation report, customer lists are being amortized over a period of 5 years. The Company recorded amortization expense of \$26,000 for the year ended April 30, 2003. Any future goodwill impairments are not deductible for income tax purposes.

The following unaudited pro forma financial information presents the combined results of operations of WPCS, Invisinet and Walker, as if the acquisitions had occurred as of May 1, 2002, after giving effect to certain adjustments, including the issuance of WPCS common stock as part of the purchase price. Pro forma financial information for the year ended April 30, 2002 has not been presented as its presentation will produce distorting results since WPCS started operations on November 15, 2001. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had WPCS, Invisinet and Walker been a single entity during such periods.

<TABLE>

<CAPTION>

Year ended April 30, 2003:

<S>

Revenues <C>
\$ 10,680,000

Net loss attributable to common shareholders \$ (1,760,000)

Weighted-average number of shares used in calculation of basic
loss per share 12,571,474

Basic loss per share \$ (0.14)

</TABLE>

F-20

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts consist of the following:
at April 30, 2003

<TABLE>

<CAPTION>

<S>

Costs incurred on uncompleted contracts <C>
\$ 4,077,019

Estimated contract profit 937,464

Less: billings to date -----
5,014,483
4,822,108

\$ 192,375

Costs and estimated earnings in excess of billings =====
\$ 408,194

Billings in excess of costs and estimated earnings
on uncompleted contracts (215,819)

\$ 192,375

</TABLE>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30, 2003:

<TABLE>

<CAPTION>

	Estimated useful life (years)	Amount
<S>	<C>	<C>
Furniture and fixtures	5 - 7	\$ 33,606
Automobiles	5 - 7	303,568
Machinery and equipment	5	193,860
Leasehold improvements	3 - 10	167,190

Less accumulated depreciation and amortization -----
698,224

50,273

</TABLE>

Depreciation expense for property and equipment for the year ended April 30, 2003 and for the period ended April 30, 2002 was approximately \$75,500 and \$2,600, respectively.

Property and equipment under capital leases totaled approximately \$10,000 and accumulated depreciation on such property and equipment aggregated approximately \$2,800 at April 30, 2003.

F-21

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
 (FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LINE OF CREDIT

The Company had a \$200,000 line of credit with a bank, which matured on March 26, 2003. The line of credit provided for an interest rate of 3.4% and was collateralized by a \$200,000 certificate of deposit. At the maturity date, the loan was paid back by the certificate of deposit.

NOTE 7- DUE TO OFFICER

The Company owes \$100,000 to an officer. This loan bears interest at 5.75% and is due on or before February 12, 2004.

NOTE 8 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of Walker, the Company assumed a ten-year lease with trusts, of which, certain officers of the Company are the trustees, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. The lease requires for initial monthly rental payments of \$6,934, with annual increases, calculated using the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area Consumer Price Index. For the period December 30, 2002 (date of acquisition) through April 30, 2003, \$29,000 was paid as rent for this lease.

NOTE 9 - RETIREMENT PLANS

Walker participates in an employee savings plan under Section 401(k) of the Internal Revenue Code pursuant to which eligible employees may elect to defer a portion of their annual salary by contributing to the plan. Contributions by Walker are made at the discretion of the Board of Directors. There were no contributions made for the year ended April 30, 2003 and none for 2002, since Walker's results of operations are not included in these financial statements.

The Company also contributes to multi-employer pension plans which provide benefits to union employees covered by collective bargaining agreements. General and administrative expenses include approximately \$239,000 for such costs and none for 2002, since Walker's results of operations are not included in these financial statements.

NOTE 10 - INCOME TAXES

The provision or income taxes for the year ended at April 30, 2003 and period ended April 30, 2002 is summarized as follows:

	2003	2002
Current	-----	-----
Federal	\$ -	\$ -
State	19,550	4,350
Deferred		
Federal	-	-
State	-	-
Totals	----- \$ 19,550	----- \$ 4,350
	=====	=====

F-22

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
 (FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES (continued)

The actual provisions for income taxes reflected in the consolidated statements of operations for the year ended April 30, 2003 differ from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax expense and the effective provision for income taxes are summarized as follows:

<TABLE>
<CAPTION>

Weighted-average

per share	Shares	Price per share	price
-----	-----	-----	-----
<S> May 1, 2002	<C> -	<C> -	<C>
-			
Granted	77,000	\$1.35 to \$1.66	
\$1.45			

Balance outstanding at April 30, 2003	77,000		
	=====		

</TABLE>

The following table summarizes the stock options outstanding and exercisable at April 30, 2003:

<TABLE>
<CAPTION>

Exercise Prices	Options outstanding		Options exercisable	
	Shares Under option	Weighted-average remaining life in years	Shares	Exercise price
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
\$1.35	50,000	4.42	4,166	\$1.35
\$1.37	2,000	4.58	500	\$1.37
\$1.66	25,000	4.92	6,250	\$1.66
	-----		-----	
Total	77,000		10,916	
	-----		-----	

</TABLE>

The weighted-average fair value on the grant date was \$0.87 for options granted during the year ended April 30, 2003. Prior to May 1, 2002, the company granted no options.

F-24

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - STOCK OPTION PLAN (continued)

The Company applies the intrinsic value method in accounting for its stock-based compensation plan. Had the Company measured compensation under the fair value based method for stock options granted, the Company's net loss attributable to common shareholders and net loss per share attributable to common shareholders for the year ended April 30, 2003 would have been as follows:

<TABLE>
<CAPTION>

Net loss attributable to common shareholders		
<S>		<C>
As reported		\$ (554,294)
Pro forma		\$ (564,286)
Net loss per share attributable to common shareholders		
As reported		\$ (0.05)
Pro forma		\$ (0.05)

</TABLE>

The fair value of each option grant was estimated on the date of grant using the Black-Scholes Option pricing model with the following assumptions for fiscal 2003: Risk-free interest rate of 2%, dividend yield of 0%, expected life of 5 years and volatility of 71.6%.

NOTE 12 - SHAREHOLDERS' EQUITY

Preferred Stock

Series B Convertible Preferred Stock

On May 15, 2002, the Board of Directors of the Company adopted and created a series of preferred stock consisting of 1,000 shares designated as Series B Convertible Preferred Stock ("Series B Preferred Stock"). Each share of Series B

Preferred Stock has a liquidation preference of \$1,000 and does not accrue any dividends. The Series B Preferred Stock is convertible into the Company's common stock, at the option of the holder, at any time after the 30th calendar day the Company receives payment in full. Each share of preferred stock is convertible at a basis of \$1,000 per share at a conversion price equal to 75% of the average market price of the common stock for ten days prior to the date of conversion. Among other provisions, the number of shares issuable upon conversion may not be less than 1,000 shares or greater than 4,000 shares of common stock.

Between May 24, 2002 and June 11, 2002, the Company sold 455 shares of Series B Preferred Stock through a private placement and received proceeds of \$455,000. Additionally, the Company issued 64 shares to a shareholder of the Company as payment for advances from shareholder and accounts payable totaling \$64,000.

Based on the conversion price of 75% of market value, the Company recorded a beneficial conversion feature of \$173,000 for the 519 Series B Preferred Stock issued as an imputed preferred stock dividend.

F-25

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - SHAREHOLDERS' EQUITY (continued)

Preferred Stock (continued)

On December 13, 2002, all Series B Preferred Stock was converted to 567,212 shares of the Company's common stock.

Series C Convertible Preferred Stock

On November 10, 2002, the Board of Directors of the Company adopted and created a series of preferred stock consisting of 1,000 shares designated as Series C Convertible Preferred Stock ("Series C Preferred Stock"). The Series C Preferred Stock is convertible into the Company's common stock, at the option of the holder, at any time after the day the Company receives payment in full. Each share of Series C Preferred Stock is convertible into 800 shares of the Company's common stock. Each share of Series C Preferred Stock has a liquidation preference of \$1,000 and does not accrue any dividends.

In addition, the Company may repurchase the outstanding Series C Preferred Stock within one year following the date on which the Company issues and receives payment in full, at a price of \$1,200 per share.

On December 6, 2002, the Company issued 1,000 shares of Series C Preferred Stock in a private placement and received proceeds of \$1,000,000. At April 30, 2003, the Company has not repurchased any of this Series C Preferred Stock.

As an inducement for the subscribers to purchase the Series C Preferred Stock, a majority shareholder who is the Company's Chairman and Chief Executive Officer agreed to: (1) refrain from selling any of the Company's common stock held by him until November 13, 2003, and (2) to return to treasury up to 2,690,000 shares of the Company's common stock held by him if certain financial covenants were not by the Company for the fiscal year ended April 30, 2003. The Company complied with all such financial covenants at April 30, 2003 and none of the shares were returned to treasury.

In the event the Company issues shares of its common stock during the two calendar years following the Issuance Date in a private placement for cash consideration of less than \$1.25 per share, each share of Series C Preferred Stock is convertible into the number of shares of common stock equal to \$1,000 divided by the price per share at which the Company issued common stock in the private placement. On June 25, 2003, as described in Note 15, the Company offered shares of its common stock in a private placement at \$.56 per share. Accordingly, the series C Preferred stock is convertible into 1,786,000 common shares of the Company.

Common Stock

On December 1, 2001, the Company issued 5,500,000 common shares to its sole shareholder and received proceeds of \$5,000.

On May 23, 2002, all of the 250 shares of Series A preferred stock, which had been issued by PSVI prior to the reverse acquisition, were converted into 3,000,000 shares of the Company's common stock.

F-26

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - SEGMENT REPORTING

The Company's reportable segments are determined based upon the nature of the products, the external customers and customer industries and the sales and distribution methods used to market the products.

The Company has two reportable segments: WPCS and Walker. WPCS includes WPCS Incorporated and Invisinet, which provides wireless solutions. Walker is in the business of structured cabling.

The Company evaluates performance based upon profit or loss from operations. Segment reporting commenced after the Company acquired Walker in December 2002. Prior to that date, the Company operated as only one segment.

For the year ended April 30, 2003, results are presented as segments for its Invisinet and Walker subsidiaries from the date of their acquisition by the Company during November 2002 and December 2002, respectively.

<TABLE>
<CAPTION>

	CORPORATE	WPCS	WALKER	Total
	-----	-----	-----	-----

For the year ended April 30, 2003				
<S> Revenue	\$ -	\$ 1,850,300	\$ 3,572,558	\$ 5,422,858
Net (loss) income before income taxes	\$ (223,211)	\$ (61,815)	\$ (77,348)	\$ (361,744)
Goodwill		\$ 1,627,044	\$ 3,761,838	\$ 5,388,882
Total assets	\$ 136,963	\$ 2,753,206	\$ 6,931,057	\$ 9,821,226
Depreciation and amortization	\$ -	\$ 21,543	\$ 94,958	\$ 116,501

</TABLE>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

On August 2, 2002, the Company entered into a three-year employment contract with a shareholder who is the Chairman and Chief Executive Officer of the Company. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is \$150,000 per annum plus benefits.

F-27

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Employment Agreements (continued)

On November 13, 2002, the Company entered into a two-year employment contract with an option to renew for an additional year, with the President of Invisinet, who is also an Executive Vice President of the Company. The base salary under the agreement is \$120,000 per annum, plus benefits.

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the President of Walker, who is also an Executive Vice President of the Company. The base salary under the agreement is \$140,000 per annum, plus benefits.

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the Chief Operating Officer of Walker, who is also a Director of the Company. The base salary under the agreement is \$140,000 per annum, plus benefits.

On July 15, 2003, the Company entered into a three-year employment agreement with the Chief Financial Officer of the Company. The base salary under the agreement is \$120,000, per annum, plus benefits.

Litigation

The Company from time to time is subject to certain legal proceedings and claims which have arisen in the ordinary course of its business. These actions when

ultimately concluded will not, in the opinion of management, have a material adverse effect upon the financial position, results of operations or cash flows of the Company.

Lease Commitments

The Company leases its office (see Note 8) facilities pursuant to non-cancelable operating leases expiring through February 2011. The minimum rental commitments under these non-cancelable leases, at April 30, 2003 are summarized as follows:

Year ending April 30,	
2004	\$ 154,000
2005	107,000
2006	94,000
2007	97,000
2008	100,000
Thereafter	299,000

Total minimum lease payments	\$ 851,000
	=====

Rent expense for all operating leases was approximately \$100,000 and \$10,000 in 2003 and 2002, respectively.

F-28

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
(FORMERLY PHOENIX STAR VENTURES, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - SUBSEQUENT EVENTS

On May 1, 2003 and May 27, 2003, the Company granted options to purchase 1,350,000 shares of its common stock to certain consultants. The options have exercise prices ranging from \$0.45 to \$1.50. Of this, 50,000 options expire on May 1, 2005 and the remaining 1,300,000 options expire on May 27, 2004. The Company has valued these options at approximately \$129,000 and will charge the general and administrative expenses for the year ended April 30, 2004.

On June 24, 2003, the Company announced that it had entered into a letter of intent to acquire Clayborn Contracting Group in a cash and stock transaction valued at approximately \$3 million. The proposed terms of the acquisition include:

- o the payment of \$900,000 at closing;
- o the issuance at closing of such number of shares of our common stock as equals \$1,000,000, based on the market price of the stock at the time of closing; and
- o \$1,100,000, payable by the delivery to the Clayborn shareholders of 50% of the post tax net income of Clayborn, payable on a quarterly basis.

A definitive agreement with respect to acquisition has not been executed to date and there can be no assurance that such acquisition will be completed on the foregoing terms, or at all. The acquisition of Clayborn will provide the Company additional wireless opportunities, expansion of its customer base, and access to additional project engineers.

On June 25, 2003, (and amended July 24, 2003), the Company offered in a private placement, up to 100 units (the Units) for sale to accredited investors at a price of \$25,000 per Unit (the Offering). The Offering is on a "best efforts" basis of a minimum offering of \$1,000,000 and a maximum offering of \$2,500,000. Each Unit consists of (i) 44,444 shares of the Company's common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of \$0.90 per share (the Warrants). The Warrants may be redeemed in whole or in part at the option of the Company, if the closing price of the Company's common stock is at least \$1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. In connection with the offering, the placement agent was issued warrants to purchase 665,000 shares of the Company's common stock, exercisable for a period of three years, at an exercise price of \$0.75 per share. As of July 31, 2003, the Company sold 40 units and received proceeds of \$898,000, net of offering expenses agents commission from the Offering.

On August 13, 2003, all 1000 Series C Preferred shares were converted into 1,786,000 shares of the Company's common stock.

F-29

ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

WPCS dismissed its independent public accountant, Leonard Friedman, effective as of August 19, 2002. WPCS's Board of Directors approved such decision. Leonard Friedman's report for the period November 15, 2001 (date of

inception) to April 30, 2002, did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. Furthermore, during such period from November 15, 2001 (date of incorporation) through April 30, 2002, and the subsequent interim period preceding August 19, 2002, there were no disagreements with Leonard Friedman within the meaning of Instruction 4 to Item 304 of Regulation S-B under the Securities Exchange Act of 1934 on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Leonard Friedman, would have caused him to make reference in connection with his opinion to the subject matter of the disagreement in connection with any report he might have issued.

On August 19, 2002, the Company, dismissed N.I. Cameron, Inc., Chartered Accountants ("N.I. Cameron"), as the Company's independent public accountants, effective as of that date. The Company's Board of Directors approved such decision.

N.I. Cameron's opinion in its reports on the Company's financial statements for the years ended April 30, 2001 and April 30, 2002 (prior to the Company's merger with WPCS Holdings, Inc.), each expressed substantial doubt with respect to the Company's ability, at that time, to continue as a going concern. During the year ended April 30, 2002, and the period from June 9, 1999 (date of incorporation) to April 30, 2001, N.I. Cameron did not issue any other report on the financial statements of the Company which contained any adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope or accounting principles. Furthermore, during such period from June 9, 1999 (date of incorporation) through April 30, 2002, and the subsequent interim period preceding August 19, 2002, there were no disagreements with N.I. Cameron within the meaning of Instruction 4 to Item 304 of Regulation S-B under the Securities Exchange Act of 1934 on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of N.I. Cameron, would have caused them to make reference in connection with their opinion to the subject matter of the disagreement in connection with any report they might have issued.

On August 19, 2002, the Company and WPCS engaged J.H. Cohn LLP, as their independent public accountants. Neither the Company nor WPCS previously consulted with J.H. Cohn regarding any matter, including but not limited to:

- o the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or
- o any matter that was either the subject matter of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-B and the related instructions) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-B).

ITEM 9 - DIRECTORS AND OFFICERS OF THE REGISTRANT

The following persons are our executive officers and directors as of the date hereof:

NAME	AGE	OFFICES HELD
Andrew Hidalgo	47	Chairman, Chief Executive Officer and Director
Donald Walker	40	Executive Vice President
E.J. von Schaumburg	36	Executive Vice President
Joseph Heater	40	Chief Financial Officer
Norm Dumbroff	42	Director
Neil Hebenton	47	Director
Gary Walker	48	Director
William Whitehead	47	Director

Andrew Hidalgo, Chairman and Chief Executive Officer

Mr. Hidalgo became Chairman of the Board and Chief Executive Officer of the Company in June 2002. He is responsible for the Company's operations and direction. From September 2000 until June 2002, Mr. Hidalgo was President of Wireless Professional Communication Services, Inc. From November 1999 to September 2000, Mr. Hidalgo was Chairman and Chief Executive Officer of CommSpan

Incorporated. From December 1997 to September 1999, Mr. Hidalgo was Senior Vice President at Applied Digital Solutions, a communications infrastructure company, where he was responsible for implementing a strategic direction involving acquisitions, business integration and sales development while managing overall operations for the company's five core business divisions and 25 subsidiary companies. Prior to that, Mr. Hidalgo held various positions in operations, sales and marketing with the 3M Company, Schlumberger and General Electric. He attended Fairfield University in Fairfield, Connecticut where he majored in Marketing and Finance.

Donald Walker, Executive Vice President

Mr. Walker has been Executive Vice President, Project Services Division since December 2002. Mr. Walker was the founder of Walker Comm, Inc. and its Chief Executive Officer from November 1996 until its acquisition by WPCS in December 2002. He has over twenty-one years of project management experience and is a Registered Communications Distribution Designer (RCDD). In addition, Mr. Walker is a committee member with the National Electrical Contractors Association (NECA). Mr. Walker began his project engineer career at General Dynamics where he developed his engineering skills while managing large projects and coordinating technical staff.

E.J. von Schaumburg, Executive Vice President

Mr. von Schaumburg joined WPCS in November 2002. He is responsible for the strategic development of WPCS including major accounts and corporate marketing. From July 2000 until November 2002, Mr. Von Schaumburg was President of Invisinet, Inc. He is a twelve-year veteran of the wireless industry and founding member of the Wireless Ethernet Compatibility Alliance (WECA). From February 1989 until July 2000, Mr. von Schaumburg worked for eight years as a Business Development Manager for AT&T and three years as a

22

divisional CFO for Lucent Technologies. Mr. von Schaumburg holds a B.S. in Finance from St. Bonaventure University and an M.B.A. from Fairleigh Dickinson University.

Joseph A. Heater, Chief Financial Officer

Mr. Heater has been Chief Financial Officer since July 2003. From November 2001 to June 2003, Mr. Heater was the Controller for Locus Pharmaceuticals, Inc., a development stage pharmaceutical company. Prior to that, from April 1999 to September 2001, Mr. Heater was Director of Finance and Corporate Controller for esavio Corporation, an information technology consulting company providing application development, network design and integration, and managed service solutions. Prior to that, from March 1995 to November 1998, Mr. Heater was Director of Financial Planning and Assistant Corporate Controller for Airgas, Inc. (NYSE: ARG). Mr. Heater holds a B.S. from the University of Nebraska and an M.B.A. from Villanova University.

Directors:

Norm Dumbroff

Mr. Dumbroff became a Director of WPCS in 2002. He has been the Chief Executive Officer of Wav Incorporated since April 1990, a distributor of wireless products in North America. Prior to Wav Incorporated, Mr. Dumbroff was an engineer for Hughes Aircraft. He holds a B.S. degree in Computer Science from Albright College.

Neil Hebenton

Mr. Hebenton became a director of WPCS in October 2002. Since 1996, he has been the Managing Director for the U.K. based FW Pharma Systems, a multi-million dollar application software company serving the pharmaceutical and biotechnology sectors. Mr. Hebenton has held a variety of operational, scientific and marketing positions in Europe with Bull Information Systems (BULP-Paris, Frankfurt, Zurich) and Phillips Information Systems. He received his B.S. in Mathematics from the University of Edinburgh, Scotland.

Gary Walker

Mr. Walker has been a director of WPCS since December 2002. He is currently the president of the Walker Comm subsidiary for WPCS International, a position he has held since November 1996. Prior to his involvement at Walker Comm, Mr. Walker had a distinguished career with the U.S. Navy and also held an elected political position in Fairfield, California. He holds a B.A. in Business Management from St. Mary's College in Moraga, California.

William Whitehead

Mr. Whitehead became a director of WPCS in October 2002. Since October 1998, he has been the Chief Financial Officer for Neutronis Incorporated, a multi-million dollar process and safety systems manufacturer. Mr. Whitehead has held a variety of financial management positions with Deloitte & Touche and was

Division Controller for Graphic Packaging Corporation from April 1990 to March 1998. After attending West Point, Mr. Whitehead received a B.S. in Accounting from the Wharton School at the University of Pennsylvania and received his M.B.A. from the Kellogg Graduate School at Northwestern University.

Board of Directors

All of our directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Our executive officers are elected annually by the Board of Directors to hold office until the first meeting of the Board following the next annual meeting of stockholders and until their successors are chosen and qualified.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth in summary form the compensation received by the Company's Chief Executive Officer for the fiscal years ended April 30, 2003 and 2002. None of the former officers or current executive officers received compensation in excess of \$100,000 during such fiscal years.

Name and Principal Position	Fiscal Year	Salary
Andrew Hidalgo Chairman and Chief Executive Officer	2003	\$141,000
Stephen C. Jackson President, Secretary and Treasurer	2002	\$36,000

No other compensation was received by the above named officers during the fiscal years ended April 30, 2003 and 2002, respectively.

EMPLOYMENT AGREEMENTS

Contract with Andrew Hidalgo

On August 2, 2002, the Company entered into a three-year employment contract with a shareholder who is the Chairman and Chief Executive Officer of the Company. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is \$150,000 per annum plus benefits.

Contract with E.J. von Schaumburg

On November 13, 2002, the Company entered into a two-year employment contract with an option to renew for an additional year, with the President of Invisinet, who is also an Executive Vice President of the Company. The base salary under the agreement is \$120,000 per annum, plus benefits.

Contract with Donald Walker

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the President of Walker, who is also an Executive Vice President of the Company. The base salary under the agreement is \$140,000 per annum, plus benefits.

Contract with Gary Walker

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the Chief Operating Officer of Walker, who is also a Director of the Company. The base salary under the agreement is \$140,000 per annum, plus benefits.

Contract with Joseph Heater

On July 15, 2003, the Company entered into a three-year employment contract with Joseph Heater, to act as Chief Financial Officer. The base salary under the agreement is \$120,000 per annum, plus benefits.

DIRECTOR COMPENSATION

The Company does not pay directors fees or other cash compensation for services rendered as a director. We reimburse our directors for expenses incurred in connection with attending Board meetings.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about the shares of the Company's common stock that may be issued upon the exercise of options under the 2002 Stock Option Plan which were approved by the Board of Directors.

<TABLE>
<CAPTION>

plans reflected Plan Category	(a) Number of securities to be issued upon exercise of	(b) Weighted-average exercise price of	(c) Number of securities remaining available for future issuance under equity compensation
	outstanding options, warrants and rights	outstanding options, warrants and rights	excluding securities in column (a) (1)
Equity compensation plans approved by security holders (1)	<C>	<C>	<C>
Equity compensation plans not approved by security holders	77,000 \$	1.46	4,923,000
Total	77,000 \$		4,923,000

(1) The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 5,000,000 shares of the Company's common stock were reserved for grant.

Code of Ethics

WPCS adopted a Code of Ethics for its officers, directors and employees. A copy of the Code of Ethics is attached hereto as an exhibit.

25

ITEM 11- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information, according to information supplied to the Company regarding the number and percentage of the Company's common stock beneficially owned by (i) each person who is beneficial owner of more than 5% of the common stock; (ii) by each director; (iii) by each executive officer named in the Summary Compensation Table; and (iv) by all directors and executive officers as a group. Unless otherwise indicated, the stockholders listed possess sole voting and investment power with respect to the shares listed.

<TABLE>
<CAPTION>

<S> Title of Class	<C> Name and Address of Beneficial Owner	<C> Amount and Nature of Beneficial Ownership (1)	<C> Percent of Class
Common stock	Andrew Hidalgo 608 Perimeter Drive Downingtown, PA 19335	5,380,000	41.1%
Common stock	Donald Walker 521 Railroad Avenue Fairfield, CA 94533	1,217,145	9.3%
Common stock	Gary Walker 521 Railroad Avenue Fairfield, CA 94533	930,759	7.1%
Common stock	J. Johnson LLC (2) 245 West Roosevelt Road West Chicago, IL 60185	850,000	6.5%
Common Stock	William Whitehead 609 Portland Drive Downingtown, PA 19335	8,000	*

Common Stock	All directors and executive officers as a group (8 persons)	8,536,904	65.3%
--------------	---	-----------	-------

</TABLE>

* Less than 1% of the outstanding common stock

(1) None of these security holders has right to acquire any amount of common stock of the Company within sixty (60) days from options, warrants, rights, or similar obligations.

(2) J. Johnson LLC is a Delaware corporation controlled by Norm Dumbroff, a director of the Company. J. Johnson LLC owned 85% of Invisinet, Inc. (Invisinet). On November 13, 2002, the Company acquired all of the outstanding shares of Invisinet, and were exchanged for 1,000,000 shares of commons stock of the Company. In connection with this acquisition, J. Johnson LLC was issued 850,000 shares of the Company's common stock.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On November 13, 2002, the Company acquired all of the outstanding shares of Invisinet from its shareholders in exchange for an aggregate of 1,000,000 newly issued shares of the Company's common stock. An additional 150,000 shares of the Company's common stock were to be issued to a shareholder, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, the Company and the shareholder mutually agreed to cancel the issuance of bonus shares and in exchange, issued options to purchase 300,000 shares of the Company's common stock.

On December 30, 2002, the Company acquired all of the outstanding shares of Walker in exchange for an aggregate of 2,486,000 newly issued shares of the Company's common stock and \$500,000 cash consideration. An additional \$500,000 is payable contingent upon Walker achieving certain net profits, to be paid in quarterly distributions equal to 75% of net income, which would increase the purchase price. At April 30, 2003, \$58,207 was payable to the Walker shareholders against this earn-out provision.

The Company owes \$100,000 to an officer. This loan bears interest at 5.75% and is due on or before February 12, 2004.

In connection with the acquisition of Walker, the Company assumed a lease with trusts, of which, certain officers of the Company are the trustees, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. The lease calls for initial monthly rental payments of \$6,934, with annual increases, calculated using the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area Consumer Price Index.

Item 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K.

Exhibits:

<TABLE>
<CAPTION>

Number Exhibit

<C>	<C>
3.1	Certificate of Incorporation, with amendments (1)
3.2	By-Laws (1)
4.1	Certificate of Designation - Series A Preferred Stock (1)
4.2	Certificate of Designation - Series B Preferred Stock (2)
4.3	Certificate of Designation - Series C Preferred Stock
4.4	2002 Employee Stock Option Plan
4.5	Form of 2003 Warrant
10.1	Andrew Hidalgo Employment Agreement
10.2	E.J. von Schaumburg Employment Agreement
10.3	Donald Walker Employment Agreement
10.4	Gary Walker Employment Agreement
10.5	Joseph Heater Employment Agreement
10.6	Agreement and Plan of Merger by and among Phoenix Star Ventures, Inc., WPCS Acquisition Corp., a Delaware corporation, WPCS Holdings, Inc., a Delaware corporation, and Andy Hidalgo, dated as of May 17, 2002 (3)

</TABLE>

<TABLE>
<CAPTION>

<S>	<C>
10.7	Agreement and Plan of Merger by and among WPCS International Incorporated, Invisinet Acquisitions Inc., Invisinet, Inc., J. Johnson LLC and E. J. von Schaumburg made as of the 13th day of November, 2002 (4)
10.8	Amendment to Invisinet Bonus Agreement, dated as of May 27, 2003

10.9 Agreement and Plan of Merger by and among WPCS International Incorporated, Walker Comm Merger Corp., Walker Comm, Inc., Donald C. Walker, Gary R. Walker, and Tanya D. Sanchez made as of the 30th day of December, 2002 (5)
14 Code of Ethics
31 Certifications required by Rule 13a-15(e) and 15d-15(e)
32. Section 1350 Certifications
</TABLE>

- -----
1. Incorporated by reference from the Company's registration statement on Form SB-2 (Commission File # 333-38802).
 2. Incorporated by reference to the Company Annual Report on Form 10-KSB for the year ended April 30, 2002.
 3. Incorporated by reference to the Company Current Report on Form 8-K, dated as of May 24, 2002.
 4. Incorporated by reference to the Company Current Report on Form 8-K, dated as of November 13, 2002.
 5. Incorporated by reference to the Company Current Report on Form 8-K, dated as of December 30, 2002.

Reports on Form 8-K:

None.

ITEM 14. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosures. The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. As of April 30, 2003, an evaluation, was completed under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, of the design and operation of this disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including the Company's consolidated subsidiaries) required to be included in the periodic SEC filings.
- (b) Changes in internal controls. There were no significant changes in internal controls or other factors that could significantly affect the Company's internal controls subsequent to the date of our evaluation.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees. The aggregate fees billed by our auditors, for professional services rendered for the audit of the Company's annual financial statements for the two years ended April 30, 2003 and for the reviews of

28

the financial statements included in the Company's Quarterly Reports on Form 10-QSB during that fiscal year were \$28,860, and \$2,254, respectively.

Audit Related Fees. The Company incurred fees to auditors of \$21,918 for audit related fees during the two fiscal years ended April 30, 2003.

All Other Fees. The aggregate fees billed by auditors for services rendered to the Company, other than the services covered in "Audit Fees" and for the fiscal year ended April 30, 2003 were \$1,170, which fees primarily related to the Company's tax returns.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence.

29

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

/s/ ANDREW HIDALGO
Andrew Hidalgo,
Chief Executive Officer
(principal executive officer)

/s/ JOSEPH HEATER
Joseph Heater,
Chief Financial Officer
(principal accounting officer)

Date: August 13, 2003

Pursuant to the requirements of the Securities and Exchange Act of 1934,
this report has been signed below by the following persons on behalf of the
registrant in the capacities as on August 13, 2003.

/s/ ANDREW HIDALGO
Andrew Hidalgo,
Chairman of the Board

Norm Dumbroff,
Director

Neil Hebenton,
Director

/s/ GARY WALKER
Gary Walker,
Director

/s/ WILLIAM WHITEHEAD
William Whitehead,
Director

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of July 15, 2003 by and between WPCS INTERNATIONAL INCORPORATED, a Delaware corporation, with an office located at 140 South Village Avenue, Suite 20, Exton, PA 19341 (the "Company") an Joseph A. Heater, an individual and resident of 445 Creekside Drive, Downingtown, PA 19335 ("Heater").

WHEREAS, the Company is in the business of providing wireless and landline products and services; and

WHEREAS, Heater has had experience in the financial operations of public companies and larger corporations; and

WHEREAS, the Company desires to retain the services of Heater; and

WHEREAS, Heater is willing to be employed by the Company;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. Heater is hereby employed and engaged to serve the Company as its Chief Financial Officer, or such additional titles as the Company shall specify from time to time, and Heater does hereby accept, and Heater hereby agrees to such engagement and employment. At all times during the term of Heater's employment, he shall report to the President and Chief Executive Officer of the Company or whom the Board of Director's should designate.

2. Duties. Heater shall be responsible for the overall financial operations, financial controls and financial reporting for the Company. In addition, Heater's duties shall be such duties and responsibilities as the Company shall specify from time to time, and shall entail those duties customarily performed by the Chief Financial Officer with a sales volume and number of employees commensurate with those of the Company. Heater shall have such authority, discretion, power and responsibility, and shall be entitled to office, support and other facilities and conditions of employment, as are customary or appropriate to his position. Heater shall diligently and faithfully execute and perform such duties and responsibilities, subject to the general supervision and control of the Company's President and Chief Executive Officer and Board of Directors. The Company's President and Chief Executive Officer or the Board of Directors, in its sole and absolute discretion, shall determine Heater's duties and responsibilities and may assign or reassign Heater to such duties and responsibilities as it deems in the Company's best interest. Heater shall devote his full-time attention, energy, and skill during normal business hours to the business and affairs of the Company and shall not, during the Employment Term, as that term is defined below, be actively engaged in any other business activity, except with the prior written consent of the Company's President and Chief Executive Officer or Board of Directors.

Nothing in this Agreement shall preclude Heater from devoting reasonable periods required for:

- (a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of the Company;
- (b) serving as a consultant in his area of expertise (in areas other than in connection with the business of the Company), to government and academic panels where it does not conflict with the interests of the Company; and
- (c) managing his personal investments or engaging in any other non-competing business; provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement as determined by the Company.

1

3. Best Efforts of Heater. During his employment hereunder, Heater shall devote his full business time, best efforts, business judgment, skill, and knowledge to the advancement of the Company's interests and to the discharge of his duties and responsibilities hereunder. Notwithstanding the foregoing, nothing herein shall be construed as preventing Heater from investing his assets in any business.

4. Employment Term. This Agreement shall have a term of three (3) years, beginning the first day of July 15, 2003 (the "Employment Term").

5. Compensation of Heater. As compensation for the services provided by Heater under this Paragraph, the Company shall pay Heater an annual salary of One Hundred, Twenty Thousand Dollars (\$120,000), to be paid in accordance with the Company's usual payroll procedures. In addition to the above base compensation,

Heater shall be eligible to receive an annual bonus determined by the Board of Directors based on the performance of the Company.

6. Benefits. Heater shall also be entitled to participate in any and all Company benefit plans, such as health and dental insurance, in effect for employees of the Company. Such participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies.

7. Vacation, Sick Leave and Holidays. Heater shall be entitled to two (2) weeks of paid vacation, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies. In addition, Heater shall be entitled to such sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time.

8. Business Expenses. The Company shall promptly reimburse Heater for all reasonable out-of-pocket business expenses incurred in performing Heater's duties and responsibilities hereunder in accordance with the Company's policies, provided Heater promptly furnishes to the Company adequate records of each such business expense.

9. Location of Heater's Activities. Heater's principal place of business in the performance of his duties and obligations under this Agreement shall be in the Exton, Pennsylvania area. Notwithstanding the preceding sentence, Heater will engage in such travel and spend such time in other places as may be necessary or appropriate in furtherance of his duties hereunder.

10. Confidentiality. Heater recognizes that the Company has and will have business affairs, products, future plans, trade secrets, customer lists, and other vital information (collectively "Confidential Information") that are valuable assets of the Company. Heater agrees that he shall not at any time or in any manner, either directly or indirectly, divulge, disclose, or communicate in any manner any Confidential Information to any third party without the prior written consent of the Company's President and Chief Executive Officer or Board of Directors. Heater will protect the Confidential Information and treat it as strictly confidential.

11. Non-Competition. Heater acknowledges that he has gained, and will gain extensive knowledge in the business conducted by the Company and has had, and will have, extensive contacts with customers of the Company. Accordingly, Heater agrees that he shall not compete directly or indirectly with the Company, either during the Employment Term or during the one (1) year period immediately after the termination of Heater's employment under Section 12 and shall not, during such period, make public statements in derogation of the Company. For the purposes of this Section 11, competing directly or indirectly with the Company shall mean engaging, directly or indirectly, as principal owner, officer, partner, consultant, advisor, or otherwise, either alone or in association with others, in the operation of any entity engaged in a business similar to that of the Company's.

2

12. Termination. Notwithstanding any other provisions hereof to the contrary, Heater's employment hereunder shall terminate under the following circumstances:

- (a) Voluntary Termination by Heater. Heater shall have the right to voluntarily terminate this Agreement and his employment hereunder at any time during the Employment Term.
- (b) Voluntary Termination by Company. The Company shall have the right to voluntarily terminate this Agreement and Heater's employment hereunder at any time during the Employment Term.
- (c) Termination for Cause. The Company shall have the right to terminate this Agreement and Heater's employment hereunder at any time for cause. As used in this Agreement, "cause" shall mean refusal by Heater to implement or adhere to lawful policies or directives of the Company's President and Chief Executive Officer or Board of Directors, breach of this Agreement, Heater's conviction of a felony, other conduct of a criminal nature that may have a material adverse impact on the Company's reputation, breach of fiduciary duty or the criminal misappropriation by Heater of funds from or resources of the Company. Cause shall not be deemed to exist unless the Company shall have first given Heater a written notice thereof specifying in reasonable detail the facts and circumstances alleged to constitute "cause" and thirty (30) days after such notice such conduct has, or such circumstances have, as the case may be, not entirely ceased and not been entirely remedied.
- (d) Termination Upon Death or for Disability. This Agreement and Heater's employment hereunder, shall automatically terminate upon Heater's death or upon written notice to Heater and certification of Heater's disability by a qualified physician or a panel of qualified physicians if Heater becomes disabled beyond a period of three (3) months and is unable to substantially perform the duties contained in this Agreement.

(e) Effect of Termination In the event that this Agreement and Heater's employment is voluntarily terminated by Heater pursuant to Section 12(a) or for cause pursuant to Section 12(c) or upon death or disability of Heater pursuant to Section 12(d), all obligations of the Company and all duties, responsibilities and obligations of Heater under this Agreement shall cease. Upon such termination, Heater shall be entitled to receive only the compensation, benefits, and reimbursement earned by or accrued to Heater under the terms of this Agreement prior to the date of termination, but shall not be entitled to any further compensation, benefits, or reimbursement after such date. In the event the Company voluntarily terminates this Agreement pursuant to Section 12(b), Heater shall be entitled to all compensation pursuant to Section 5 and benefits pursuant to Section 6 for the period between the effective termination date to the end of the Employment Term pursuant to Section 4. Other than as set forth above, Heater shall not be entitled to any further compensation, benefits, or reimbursement after the date of his termination. In the event of a merger, consolidation, sale, or change of control, the Company's rights hereunder shall be assigned to the surviving or resulting company, which company shall then honor this Agreement with Heater.

13. Resignation as Officer. In the event that Heater's employment with the Company is terminated for any reason whatsoever, Heater agrees to immediately resign as an Officer and/or Director of the Company and any related entities. For the purposes of this Section 13, the term the "Company" shall be deemed to include subsidiaries, parents, and affiliates of the Company.

14. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to any applicable conflicts of law provisions.

15. Business Opportunities. During the Employment Term, Heater agrees to bring to the attention of the Company's President and Chief Executive Officer and Board of Directors, all written business proposals that come to Heater's attention and all business or investment opportunities of whatever nature that are created or devised by Heater and that relate to areas in which the Company conducts business and might reasonably be expected to be of interest to the Company or any of its subsidiaries.

3

16. Employee's Representations and Warranties. Heater hereby represents and warrants that he is not under any contractual obligation to any other company, entity or individual that would prohibit or impede Heater from performing his duties and responsibilities under this Agreement and that he is free to enter into and perform the duties and responsibilities required by this Agreement. Heater hereby agrees to indemnify and hold the Company and its officers, directors, employees, shareholders and agents harmless in connection with the representations and warranties made by Heater in this Section 16.

17. Indemnification.

17.1

The Company agrees that if Heater is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Heater's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Heater shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the Commonwealth of Pennsylvania, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Heater in connection therewith, and such indemnification shall continue as to Heater even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of Heater's heirs, executors and administrators. The Company shall advance to Heater to the extent permitted by law all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company of a written request, with appropriate documentation, for such advance. Such request shall include an undertaking by Heater to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

17.2

Neither the failure of the Company (including its board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Heater that indemnification of Heater is proper because he has met the applicable standard of conduct, nor a determination by the Company (including

its board of directors, independent legal counsel or stockholders) that Heater has not met such applicable standard of conduct, shall create a presumption that Heater has not met the applicable standard of conduct.

17.3

The Company agrees to use its best efforts to maintain a directors' and officers' liability insurance policy.

17.4

Promptly after receipt by Heater of notice of any claim or the commencement of any action or proceeding with respect to which Heater is entitled to indemnity hereunder, Heater shall notify the Company in writing of such claim or the commencement of such action or proceeding, and the Company shall (i) assume the defense of such action or proceeding, (ii) employ counsel reasonably satisfactory to Heater, and (iii) pay the reasonable fees and expenses of such counsel. Notwithstanding the preceding sentence, Heater shall be entitled to employ counsel separate from counsel for the Company and from any other party in such action if Heater reasonably determines that a conflict of interest exists which makes representation by counsel chosen by the Company not advisable. In such event, the reasonable fees and disbursements of such separate counsel for Heater shall be paid by the Company to the extent permitted by law.

4

17.5

After the termination of this Agreement and upon the request of Heater, the Company agrees to reimburse Heater for all reasonable travel, legal and other out-of-pocket expenses related to assisting the Company to prepare for or defend against any action, suit, proceeding or claim brought or threatened to be brought against the Company or to prepare for or institute any action, suit, proceeding or claim to be brought or threatened to be brought against a third party arising out of or based upon the transactions contemplated herein and in providing evidence, producing documents or otherwise participating in any such action, suit, proceeding or claim. In the event Heater is required to appear after termination of this Agreement at a judicial or regulatory hearing in connection with Heater's employment hereunder, or Heater's role in connection therewith, the Company agrees to pay Heater a sum, to be mutually agreed upon by Heater and the Company, per diem for each day of his appearance and each day of preparation thereof.

18. Notices. All demands, notices, and other communications to be given hereunder, if any, shall be in writing and shall be sufficient for all purposes if personally delivered, sent by facsimile or sent by United States mail to the address below or such other address or addresses as such party may hereafter designate in writing to the other party as herein provided.

Company:
WPCS International Incorporated
140 South Village Avenue, Suite 20
Exton, PA 19341

Heater:
445 Creekside Drive
Downingtown, PA 19335

19. Entire Agreement. This Agreement contains the entire agreement of the parties and there are no other promises or conditions in any other agreement, whether oral or written. This Agreement supersedes any prior written or oral agreements between the parties. This Agreement may be modified or amended, if the amendment is made in writing and is signed by both parties. This Agreement is for the unique personal services of Heater and is not assignable or delegable, in whole or in part, by Heater. This Agreement may be assigned or delegated, in whole or in part, by the Company and, in such case, shall be assumed by and become binding upon the person, firm, company, corporation or business organization or entity to which this Agreement is assigned. The headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and, in pleading or proving any provision of this Agreement, it shall not be necessary to produce more than one of such counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

WPCS INTERNATIONAL INCORPORATED:

HEATER:

By: /s/ ANDREW HIDALGO

/s/ JOSEPH A. HEATER

Name: Andrew Hidalgo

Joseph A. Heater

Title: Chairman, President & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 30th day of December, 2002 (the "Effective Date").

AMONG:

WALKER COMM, INC., a body corporate formed pursuant to the laws of the State of California and having an office for business located at 521 Railroad Avenue, Fairfield, California 94533 ("Walker");

Solely as to Article 4 (Compensation) and Section 10.4 (Severance) hereof, WPCS INTERNATIONAL INCORPORATED, a body corporate formed pursuant to the laws of the State of Delaware and having an office for business located at 140 South Village Avenue, Suite 20, Exton, Pennsylvania 19341 ("Parent") (collectively, Parent and Walker, the "Employer");

AND:

GARY R. WALKER, an individual having an address at 521 Railroad Avenue, Fairfield, California 94533 ("Employee")

WHEREAS:

A. Employee has acted as Chief Operating Officer and Secretary of Walker at least since October 2, 2001; and

B. Employee and Walker are parties to that certain Agreement and Plan of Merger, made as of December 30, 2002 (the "Merger Agreement"), pursuant to which Employee has agreed to continue to serve as Chief Operating Officer and Secretary of Walker, and Walker has agreed to hire Employee as such, pursuant to the terms and conditions of this Employment Agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and the mutual covenants, agreements, representations and warranties contained herein, the Merger Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Employee, Walker and, solely as to Article 4 (Compensation) and Section 10.4 (Severance) hereof, Parent hereby agree as follows:

ARTICLE 1
EMPLOYMENT

Walker hereby affirms, renews and extends the employment of Employee as Walker's Chief Operating Officer and Secretary, and Employee hereby affirms, renews and accepts

such employment by Walker, for the "Term" (as defined in Article 3 below), upon the terms and conditions set forth herein.

ARTICLE 2
DUTIES

During the Term, Employee shall serve Walker faithfully, diligently and to the best of his ability, under the direction of the President and Board of Directors of Walker and shall use his best efforts to promote the interests and goodwill of Walker and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or future purchasers of Walker. Employee shall render such services during the Term at Walker's principal place of business or at such other place of business as may be determined by the Board of Directors of Walker, as Walker may from time to time reasonably require of him, and shall devote all of his business time to the performance thereof. Employee shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the Board of Directors. The precise services and duties which Employee is obligated to perform hereunder may from time to time be changed, amended, extended or curtailed by the Board of Directors of Walker.

ARTICLE 3
TERM

The "Term" of this Agreement shall commence on the Effective Date and continue thereafter for a term of four (4) years, as may be extended or earlier terminated pursuant to the terms and conditions of this Agreement. The Term of this Agreement shall automatically renew for successive one (1) year periods unless, prior to the 30th calendar day preceding the expiration of the then existing Term, either Walker or Employee provides written notice to the other that it elects not to renew the Term. Upon delivery of such notice, this Agreement shall continue until expiration of the Term, whereupon this Agreement

shall terminate and neither party shall have any further obligation thereafter arising under this Agreement, except as explicitly set forth herein to the contrary.

ARTICLE 4
COMPENSATION

Salary

4.1 Employer shall pay to Employee an annual salary (the "Salary") of One Hundred Forty Thousand Dollars (\$140,000.00), payable in equal installments at the end of such regular payroll accounting periods as are established by Walker, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Walker's usual payroll procedures, but no less frequently than monthly.

2

Benefits

4.2 During the Term, Employee shall be entitled to participate in all medical and other employee benefit plans, including vacation, sick leave, retirement accounts and other employee benefits provided by Walker to similarly situated employees on terms and conditions no less favorable than those offered to such employees. Such participation shall be subject to the terms of the applicable plan documents, Walker's generally applicable policies, and the discretion of the Board of Directors or any administrative or other committee provided for in, or contemplated by, such plan.

Expense Reimbursement

4.3 Walker shall reimburse Employee for reasonable and necessary expenses incurred by him on behalf of Walker in the performance of his duties hereunder during the Term, including, without limitation, reimbursement for cellular telephone expenses in accordance with Walker's then customary policies, provided that such expenses are adequately documented.

Automobile

4.4 Employee shall be entitled to the full-time use of an automobile owned or leased by Walker. In addition, Walker shall reimburse Employee for all maintenance and gasoline expenses associated with the automobile, provided that such expenses are adequately documented.

Bonus

4.5 In addition to the Salary, Employee shall be entitled to receive a quarterly bonus equal to 3% (the "Bonus") of Walker operating income (i) after the elimination of all expenses related to (y) services provided to Walker by WPCS or any affiliate thereof and (z) transactions between Walker and WPCS or any affiliate thereof, and (ii) prior to the deduction of interest, taxes, depreciation and amortization. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of Walker, as calculated based on U.S. generally accepted accounting principles.. Walker shall instruct its auditor to calculate the Bonus for each fiscal quarter or portion thereof ending after the date of this Agreement (an "Auditor's Bonus Report"), within 50 days following the end of each fiscal quarter or 105 days after each fiscal year end. Walker shall provide a copy of each Auditor's Bonus Report to Employee promptly upon receipt thereof. Employee shall have the right to review and independently verify the conclusions of any Auditor's Bonus Report by delivering notice in writing to Walker within 30 days after receipt of any such Auditor's Bonus Report indicating that Employee wishes to exercise his right of review and verification. Within 10 business days after receipt of any such notice, Walker shall make available to Employee and his representatives, at reasonable times during normal business hours, the books and records of Walker which are reasonably necessary to conduct such review and verification. Employee shall cause such review to be conducted and concluded as quickly as reasonably practicable and in

3

such a manner so as not to unreasonably interfere with the business and operations of Walker. Any representatives conducting such review shall, prior to being given access to such books and records, be required to enter into confidentiality and non-disclosure agreements with Walker on terms and conditions satisfactory to Walker, acting reasonably. The costs of any such review shall be borne by Employee unless the review indicates a discrepancy between the Bonus figure contained in the Auditor's Bonus Report and the figure, if any, agreed to by Walker and Employee following such review of greater than 10%. If Employee and Walker shall be unable to resolve any dispute respecting any determination contained in any Auditor's Bonus Report, then any disputed matters ("Disputed Items") shall, within 20 days after notice is delivered by Employee to Walker that there exist Disputed Items, be submitted to arbitration as set forth below. Within five (5) business days of Employee's delivery of Employee's written acceptance of the Auditor's Bonus Report (as may have been amended or adjusted pursuant to the foregoing procedures) to Walker, Employer shall pay Employee the Bonus in a lump sum, subject to Walker's statutory and

customary withholdings.

Arbitration

4.6 An independent chartered accountant chosen by Walker (hereinafter referred to as "Walker's Accountant") and an independent chartered accountant chosen by Employee (herein after referred to as "Employee's Accountant") shall together within 20 days, appoint a representative from an accounting firm (other than Walker's Accountant or Employee's Accountant) to arbitrate the dispute (hereinafter referred to as the "Arbitrator"). The parties shall, within 20 days after the appointment of the Arbitrator, present their position with respect to the Disputed Items to the Arbitrator together with such other materials as the Arbitrator deems appropriate. The Arbitrator shall within 20 days after the submission of such evidence, submit its written decision on each Disputed Item to the parties. Any determination by the Arbitrator with respect to any Disputed Item shall be final and binding on such parties. The Arbitrator shall comply, and the arbitration shall be conducted in accordance with, the Commercial Arbitration Rules of American Arbitration Association then in force. If the Arbitrator determines that the Auditor's Bonus Report was correct so that the Bonus presented therein was equal to or greater than the actual Bonus, or less than the actual Bonus by a less than 10% variance, the costs of any such arbitration shall be borne by Employee. If the Arbitrator determines that the Auditor's Bonus Report was incorrect so that the Bonus presented therein was less than the actual Bonus by more than 10%, the costs of any such arbitration shall be borne by Walker.

ARTICLE 5 OTHER EMPLOYMENT

During the Term of this Agreement, Employee shall devote substantially all of his business and professional time and effort, attention, knowledge, and skill to the management, supervision and direction of Walker's business and affairs as Employee's

4

highest professional priority. Except as provided below, Walker shall be entitled to all benefits, profits or other issues arising from or incidental to all work, services and advice performed or provided by Employee. Nothing in this Agreement shall preclude Employee from devoting reasonable periods required for:

- (a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of Walker, provided that Employee must obtain the written consent of Walker;
- (b) serving as a consultant in his area of expertise (in areas other than in connection with the business of Walker), to government, industrial, and academic panels where it does not conflict with the interests of Walker; and
- (c) managing his personal investments or engaging in any other non-competing business;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

ARTICLE 6 CONFIDENTIAL INFORMATION/ INVENTIONS

Confidential Information

6.1 Employee shall not, in any manner, for any reasons, either directly or indirectly, divulge or communicate to any person, firm or corporation, any confidential information concerning any matters not generally known in the wireless communications industry or otherwise made public by Walker which affects or relates to Walker's business, finances, marketing and/ or operations, research, development, inventions, products, designs, plans, procedures, or other data (collectively, "Confidential Information") except in the ordinary course of business or as required by applicable law. Without regard to whether any item of Confidential Information is deemed or considered confidential, material, or important, the parties hereto stipulate that as between them, to the extent such item is not generally known in the wireless communications industry, such item is important, material, and confidential and affects the successful conduct of Walker's business and good will, and that any breach of the terms of this Section 6.1 shall be a material and incurable breach of this Agreement. Confidential Information shall not include: (i) information obtained or which became known to Employee other than through his employment by Walker; (ii) information in the public domain at the time of the disclosure of such information by Employee; (iii) information that Employee can document was independently developed by Employee; and (iv) information that is disclosed by Employee with the prior written consent of Parent.

Documents

6.2 Employee further agrees that all documents and materials furnished to Employee by Walker and relating to the Walker's business or prospective business are and shall remain the exclusive property of Walker. Employee shall deliver all such documents and materials, uncopied, to Walker upon demand therefore and in any event upon expiration or earlier termination of this Agreement. Any payment of sums due and owing to Employee by Walker upon such expiration or earlier termination shall be conditioned upon returning all such documents and materials, and Employee expressly authorizes Walker to withhold any payments due and owing pending return of such documents and materials.

Inventions

6.3 All ideas, inventions, and other developments or improvements conceived or reduced to practice by Employee, alone or with others, during the Term of this Agreement, whether or not during working hours, that are within the scope of the business of Walker or that relate to or result from any of Walker's work or projects or the services provided by Employee to Walker pursuant to this Agreement, shall be the exclusive property of Walker. Employee agrees to assist Walker, at Walker's expense, to obtain patents and copyrights on any such ideas, inventions, writings, and other developments, and agrees to execute all documents necessary to obtain such patents and copyrights in the name of Walker.

Disclosure

6.4 During the Term, Employee will promptly disclose to the Board of Directors of Walker full information concerning any interest, direct or indirect, of Employee (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his immediate family in any business that is reasonably known to Employee to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Walker or to any of its suppliers or customers.

ARTICLE 7 COVENANT NOT TO COMPETE

Except as expressly permitted in Article 5 above, during the Term of this Agreement, Employee shall not engage in any of the following competitive activities: (a) engaging directly or indirectly in any business or activity substantially similar to any business or activity engaged in (or proposed to be engaged in) by Walker; (b) engaging directly or indirectly in any business or activity competitive with the any business or activity engaged in (or proposed to be engaged in) by Walker; (c) soliciting or taking away any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor of Walker, or attempting to so solicit or take away; (d) interfering with any contractual or other relationship between Walker and any employee,

6

agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor; or (e) using, for the benefit of any person or entity other than Walker, any Confidential Information of Walker. The foregoing covenant prohibiting competitive activities shall survive the termination of this Agreement and shall extend, and shall remain enforceable against Employee, for the period of two (2) years following the date this Agreement is terminated. In addition, during the two-year period following such expiration or earlier termination, neither Employee nor Walker shall not make or permit the making of any negative statement of any kind concerning Walker or its affiliates, or their directors, officers or agents or Employee.

ARTICLE 8 SURVIVAL

Employee agrees that the provisions of Articles 6, 7 and 9 shall survive expiration or earlier termination of this Agreement for any reasons, whether voluntary or involuntary, with or without cause, and shall remain in full force and effect thereafter. Notwithstanding the foregoing, if this Agreement is terminated upon the dissolution of Parent or Walker, the filing of a petition in bankruptcy by Parent or Walker or upon an assignment for the benefit of creditors of the assets of Parent or Walker, Articles 6, 7 and 9 shall be of no further force or effect.

ARTICLE 9 INJUNCTIVE RELIEF

Employee acknowledges and agrees that the covenants and obligations of Employee set forth in Articles 6 and 7 with respect to non-competition, non-solicitation, confidentiality and Walker's property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause Walker irreparable injury for which adequate remedies are not available at law. Therefore, Employee agrees that Walker shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain Employee from committing any violation of the covenants and obligations referred to in this

Article 9. These injunctive remedies are cumulative and in addition to any other rights and remedies Walker may have at law or in equity.

ARTICLE 10
TERMINATION

Termination by Employee

10.1 Employee may terminate this Agreement for Good Reason at any time upon 30 days' written notice to Walker, provided the Good Reason has not been cured within such period of time. Employee may terminate this Agreement at any time for any reason upon 30 days' prior notice to Walker.

7

Good Reason

10.2 In this Agreement, "Good Reason" means, without Employee's prior written consent, the occurrence of any of the following events, unless Walker shall have fully cured all grounds for such termination within thirty (30) days after Employee gives notice thereof:

- (i) any reduction in his then-current Salary;
- (ii) any material failure to timely grant, or timely honor, any equity or long-term incentive award;
- (iii) failure to pay or provide required compensation and benefits;
- (iv) any failure to appoint, elect or reelect him to the position of Chief Operating Officer of Walker; the removal of him from such position; or any changes in the reporting structure so that Employee reports to someone other than the President or board of directors of Walker in connection with Employee's position;
- (v) any material diminution in his title or duties or the assignment to him of duties not customarily associated with Employee's position as Chief Operating Officer and Secretary;
- (vi) any relocation of Employee's office as assigned to him by Walker, to a location more than 25 miles from Walker's current office;
- (viii) the failure of Employer to obtain the assumption in writing of its obligation to perform the Employment Agreement by any successor to all or substantially all of the assets of Walker or Parent or upon a merger, consolidation, sale or similar transaction of Walker or Parent; or
- (ix) the voluntary or involuntary dissolution of Walker or Parent, the filing of a petition in bankruptcy by Parent or Walker or upon an assignment for the benefit of creditors of the assets of Parent or Walker.

The written notice given hereunder by Employee to Walker shall specify in reasonable detail the cause for termination, and such termination notice shall not be effective until thirty (30) days after Walker's receipt of such notice, during which time Walker shall have the right to respond to Employee's notice and cure the breach or other event giving rise to the termination.

8

Termination by Walker

10.3 Walker may terminate its employment of Employee under this Agreement for cause at any time by written notice to Employee. For purposes of this Agreement, the term "cause" for termination by Walker shall be (a) a conviction of or plea of guilty or nolo contendere by Employee to a felony, or any crime involving fraud or embezzlement; (b) the refusal by Employee to perform his material duties and obligations hereunder; (c) Employee's willful and intentional misconduct in the performance of his material duties and obligations; or (d) if Employee or any member of his family makes any personal profit arising out of or in connection with a transaction to which Walker is a party or with which it is associated without making disclosure to and obtaining the prior written consent of Walker. For purposes of this Agreement, "family" shall mean Employee's spouse and/or children. The written notice given hereunder by Walker to Employee shall specify in reasonable detail the cause for termination. In the case of a termination for the causes described in (a) and (d) above, such termination shall be effective upon receipt of the written notice. In the case of the causes described in (b) and (c) above, such termination notice shall not be effective until thirty (30) days after

Employee's receipt of such notice, during which time Employee shall have the right to respond to Walker's notice and cure the breach or other event giving rise to the termination.

Severance

10.4 Upon a termination of this Agreement without Good Reason by Employee or with cause by Walker, Walker shall pay to Employee all accrued and unpaid compensation as of the date of such termination, subject to the provision of Section 6.2. Upon a termination of this Agreement with Good Reason by Employee or without cause by Walker, Walker shall pay to Employee all accrued and unpaid compensation and expense reimbursement as of the date of such termination and the "Severance Payment." The Severance Payment shall be payable in a lump sum, subject to Walker's statutory and customary withholdings. If the termination of Employee hereunder is by Employee with Good Reason, the Severance Payment shall be paid by Employer within five (5) business days of the expiration of any applicable cure period. If the termination of Employee hereunder is by Walker without cause, the Severance Payment shall be paid by Employer within five (5) business days of termination. The "Severance Payment" shall equal the greater of: (a) the total amount of the Salary payable to Employee under Section 4.1 of this Agreement from the date of such termination until the end of the Term of this Agreement (prorated for any partial month), or (b) the amount of twelve (12) months' Salary; notwithstanding the foregoing, during any renewal term of this Agreement, the amount of the "Severance Payment" payable to Employee hereunder shall equal six (6) months' Salary.

Termination Upon Death

10.5 If Employee dies during the Term of this Agreement, this Agreement shall terminate, except that Employee's legal representatives shall be entitled to receive any

9

earned but unpaid compensation or expense reimbursement due hereunder through the date of death.

Termination Upon Disability

10.6 If, during the Term of this Agreement, Employee suffers and continues to suffer from a "Disability" (as defined below), then Walker may terminate this Agreement by delivering to Employee thirty (30) calendar days' prior written notice of termination based on such Disability, setting forth with specificity the nature of such Disability and the determination of Disability by Walker. For the purposes of this Agreement, "Disability" means Employee's inability, with reasonable accommodation, to substantially perform Employee's duties, services and obligations under this Agreement due to physical or mental illness or other disability for a continuous, uninterrupted period of sixty (60) calendar days or ninety (90) days during any twelve month period. Upon any such termination for Disability, Employee shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of termination.

ARTICLE 11 PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies and benefit plans which apply generally to Walker's employees as the same may be interpreted, adopted, revised or deleted from time to time, during the Term of this Agreement, by Walker in its sole discretion. During the Term hereof, Employee shall be entitled to vacation during each year of the Term at the rate of four (4) weeks per year. Within 30 days after the end of each year of the Term, Walker shall elect to (a) carry over and allow Employee the right to use any accrued and unused vacation of Employee, or (ii) pay Employee for such vacation in a lump sum in accordance with its standard payroll practices. Employee shall take such vacation at a time approved in advance by the Board of Directors of Walker, which approval will not be unreasonably withheld but will take into account the staffing requirements of Walker and the need for the timely performance of Employee's responsibilities.

ARTICLE 12 BENEFICIARIES OF AGREEMENT

This Agreement shall inure to the benefit of Walker and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or purchasers of Walker as they now or shall exist while this Agreement is in effect.

ARTICLE 13 GENERAL PROVISIONS

10

No Waiver

13.1 No failure by either party to declare a default based on any breach by

the other party of any obligation under this Agreement, nor failure of such party to act quickly with regard thereto, shall be considered to be a waiver of any such obligation, or of any future breach.

Modification

13.2 No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the parties to be charged therewith.

Choice of Law/Jurisdiction

13.3 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to any conflict-of-laws principles. Walker and Employee hereby consent to personal jurisdiction before all courts in the State of California, and hereby acknowledge and agree that California is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

13.4 This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and there are no inducements, promises, terms, conditions, or obligations made or entered into by Walker or Employee other than contained herein.

Severability

13.5 All agreements and covenants contained herein are severable, and in the event any of them, with the exception of those contained in Articles 1 and 4 hereof, shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

Headings

13.6 The headings contained herein are for the convenience of reference and are not to be used in interpreting this Agreement.

Independent Legal Advice

13.7 Walker has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice with respect to same before executing this Agreement. Employee, in executing this Agreement, represents and warrants to Walker that he has been so advised to obtain independent legal advice, and that prior to the

11

execution of this Agreement he has so obtained independent legal advice, or has, in his discretion, knowingly and willingly elected not to do so.

No Assignment

13.8 Employee may not assign, pledge or encumber his interest in this Agreement nor assign any of his rights or duties under this Agreement without the prior written consent of Walker.

IN WITNESS WHEREOF the parties have executed this Agreement effective as of the day and year first above written.

WALKER COMM, INC.

By:/s/ ANDREW HIDALGO

Andrew Hidalgo, Director

WPCS INTERNATIONAL
INCORPORATED

By:/s/ ANDREW HIDLAGO

Andrew Hidalgo, President

/s/ GARY R. WALKER
GARY R. WALKER

This is page 12 to the Employment Agreement dated December 30, 2002 between Walker Comm, Inc., WPCS International Incorporated and Donald C. Walker.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of August 1, 2002 by and between WPCS INTERNATIONAL INCORPORATED, a Delaware corporation, with an office located at 140 South Village Avenue, Suite 20, Exton, PA 19341 (the "Company") an Andrew Hidalgo, an individual and resident of 608 Perimeter Drive, Downingtown, PA 19335 ("Hidalgo").

WHEREAS, the Company is in the business of providing wireless and landline products and services; and

WHEREAS, Hidalgo has had experience in the operations of businesses providing wireless and landline products and services; and

WHEREAS, the Company desires to retain the services of Hidalgo; and

WHEREAS, Hidalgo is willing to be employed by the Company;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. Hidalgo is hereby employed and engaged to serve the Company as the Chairman, President and Chief Executive Officer of the Company, or such additional titles as the Company shall specify from time to time, and Hidalgo does hereby accept, and Hidalgo hereby agrees to such engagement and employment. At all times during the term of Hidalgo's employment, he shall remain a member of the Board of Directors of the Company.

2. Duties. Hidalgo shall be responsible for the overall development, operations and corporate governance of the Company. In addition, Hidalgo's duties shall be such duties and responsibilities as the Company shall specify from time to time, and shall entail those duties customarily performed by the Chairman, President and Chief Executive Officer of a company with a sales volume and number of employees commensurate with those of the Company. Hidalgo shall have such authority, discretion, power and responsibility, and shall be entitled to office, secretarial and other facilities and conditions of employment, as are customary or appropriate to his position. Hidalgo shall diligently and faithfully execute and perform such duties and responsibilities, subject to the general supervision and control of the Company's board of directors. Hidalgo shall be responsible and report only to the Company's board of directors. The Company's board of directors, in its sole and absolute discretion, shall determine Hidalgo's duties and responsibilities and may assign or reassign Hidalgo to such duties and responsibilities as it deems in the Company's best interest. Hidalgo shall devote his full-time attention, energy, and skill during normal business hours to the business and affairs of the Company and shall not, during the Employment Term, as that term is defined below, be actively engaged in any other business activity, except with the prior written consent of the Company's board of directors.

Nothing in this Agreement shall preclude Hidalgo from devoting reasonable periods required for:

- (a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of the Company;
- (b) serving as a consultant in his area of expertise (in areas other than in connection with the business of the Company), to government, industrial, and academic panels where it does not conflict with the interests of the Company; and
- (c) managing his personal investments or engaging in any other non-competing business; provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement as determined by the Company.

1

3. Best Efforts of Hidalgo. During his employment hereunder, Hidalgo shall, subject to the direction and supervision of the Company's board of directors, devote his full business time, best efforts, business judgment, skill, and knowledge to the advancement of the Company's interests and to the discharge of his duties and responsibilities hereunder. Notwithstanding the foregoing, nothing herein shall be construed as preventing Hidalgo from investing his assets in any business.

4. Employment Term. This Agreement shall have a term of three (3) years, beginning the first day of August 2002 (the "Employment Term"). Upon each one (1) year anniversary of Hidalgo's employment under this Agreement, the Agreement will automatically renew for another three (3) years from the anniversary date unless terminated by either party pursuant to Section 12.

5. Compensation of Hidalgo. As compensation for the services provided by Hidalgo under this Paragraph, the Company shall pay Hidalgo an annual salary of One Hundred, Fifty Thousand Dollars (\$150,000), to be paid in accordance with the Company's usual payroll procedures. In addition to the above base compensation, Hidalgo shall be eligible to receive an annual bonus determined by the Board of Directors based on the performance of the Company.

6. Benefits. Hidalgo shall also be entitled to participate in any and all Company benefit plans, from time to time, in effect for employees of the Company. Such participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies.

7. Vacation, Sick Leave and Holidays. Hidalgo shall be entitled to two (2) weeks of paid vacation, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies. In addition, Hidalgo shall be entitled to such sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time.

8. Business Expenses. The Company shall promptly reimburse Hidalgo for all reasonable out-of-pocket business expenses incurred in performing Hidalgo's duties and responsibilities hereunder in accordance with the Company's policies, provided Hidalgo promptly furnishes to the Company adequate records of each such business expense.

9. Location of Hidalgo's Activities. Hidalgo's principal place of business in the performance of his duties and obligations under this Agreement shall be in the Exton, Pennsylvania area. Notwithstanding the preceding sentence, Hidalgo will engage in such travel and spend such time in other places as may be necessary or appropriate in furtherance of his duties hereunder.

10. Confidentiality. Hidalgo recognizes that the Company has and will have business affairs, products, future plans, trade secrets, customer lists, and other vital information (collectively "Confidential Information") that are valuable assets of the Company. Hidalgo agrees that he shall not at any time or in any manner, either directly or indirectly, divulge, disclose, or communicate in any manner any Confidential Information to any third party without the prior written consent of the Company's board of directors. Hidalgo will protect the Confidential Information and treat it as strictly confidential.

11. Non-Competition. Hidalgo acknowledges that he has gained, and will gain extensive knowledge in the business conducted by the Company and has had, and will have, extensive contacts with customers of the Company. Accordingly, Hidalgo agrees that he shall not compete directly or indirectly with the Company, either during the Employment Term or during the one (1) year period immediately after the termination of Hidalgo's employment under Section 12 and shall not, during such period, make public statements in derogation of the Company. For the purposes of this Section 11, competing directly or indirectly with the Company shall mean engaging, directly or indirectly, as principle owner, officer, partner, consultant, advisor, or otherwise, either alone or in association with others, in the operation of any entity engaged in a business similar to that of the Company's.

2

12. Termination. Notwithstanding any other provisions hereof to the contrary, Hidalgo's employment hereunder shall terminate under the following circumstances:

- (a) Voluntary Termination by Hidalgo. Hidalgo shall have the right to voluntarily terminate this Agreement and his employment hereunder at any time during the Employment Term.
- (b) Voluntary Termination by Company. The Company shall have the right to voluntarily terminate this Agreement and Hidalgo's employment hereunder at any time during the Employment Term.
- (c) Termination for Cause. The Company shall have the right to terminate this Agreement and Hidalgo's employment hereunder at any time for cause. As used in this Agreement, "cause" shall mean refusal by Hidalgo to implement or adhere to lawful policies or directives of the Company's board of directors, breach of this Agreement, Hidalgo's conviction of a felony, other conduct of a criminal nature that may have a material adverse impact on the Company's reputation, breach of fiduciary duty or the criminal misappropriation by Hidalgo of funds from or resources of the Company. Cause shall not be deemed to exist unless the Company shall have first given Hidalgo a written notice thereof specifying in reasonable detail the facts and circumstances alleged to constitute "cause" and thirty (30) days after such notice such conduct has, or such circumstances have, as the case may be, not entirely ceased and not been entirely remedied.
- (d) Termination Upon Death or for Disability. This Agreement and Hidalgo's employment hereunder, shall automatically terminate upon Hidalgo's death or upon written notice to Hidalgo and

certification of Hidalgo's disability by a qualified physician or a panel of qualified physicians if Hidalgo becomes disabled beyond a period of twelve (12) months and is unable to perform the duties contain in this Agreement.

- (e) Effect of Termination In the event that this Agreement and Hidalgo's employment is voluntarily terminated by Hidalgo pursuant to Section 12(a) or for cause pursuant to Section 12(c), all obligations of the Company and all duties, responsibilities and obligations of Hidalgo under this Agreement shall cease. Upon such termination, Hidalgo shall be entitled to receive only the compensation, benefits, and reimbursement earned by or accrued to Hidalgo under the terms of this Agreement prior to the date of termination, but shall not be entitled to any further compensation, benefits, or reimbursement after such date. In the event the Company voluntarily terminates this Agreement pursuant to Section 12(b) or upon death or disability of Hidalgo pursuant to Section 12(d), Hidalgo shall be entitled to all compensation pursuant to Section 5 for the period between the effective termination date to the end of the Employment Term pursuant to Section 4. Payment will be made to Hidalgo or Hidalgo's appointed trustee. Other than as set forth above, Hidalgo shall not be entitled to any further compensation, benefits, or reimbursement after the date of his termination. In the event of a merger, consolidation, sale, or change of control, the Company's rights hereunder shall be assigned to the surviving or resulting company, which company shall then honor this Agreement with Hidalgo.

13. Resignation as Officer. In the event that Hidalgo's employment with the Company is terminated for any reason whatsoever, Hidalgo agrees to immediately resign as an Officer and/or Director of the Company and any related entities. For the purposes of this Section 13, the term the "Company" shall be deemed to include subsidiaries, parents, and affiliates of the Company.

14. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Pennsylvania without giving effect to any applicable conflicts of law provisions.

15. Business Opportunities. During the Employment Term Hidalgo agrees to bring to the attention of the Company's board of directors all written business proposals that come to Hidalgo's attention and all business or investment opportunities of whatever nature that are created or devised by Hidalgo and that relate to areas in which the Company conducts business and might reasonably be expected to be of interest to the Company or any of its subsidiaries.

3

16. Employee's Representations and Warranties. Hidalgo hereby represents and warrants that he is not under any contractual obligation to any other company, entity or individual that would prohibit or impede Hidalgo from performing his duties and responsibilities under this Agreement and that he is free to enter into and perform the duties and responsibilities required by this Agreement. Hidalgo hereby agrees to indemnify and hold the Company and its officers, directors, employees, shareholders and agents harmless in connection with the representations and warranties made by Hidalgo in this Section 16.

17. Indemnification.

17.1

The Company agrees that if Hidalgo is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Hidalgo's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Hidalgo shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the State of Pennsylvania, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Hidalgo in connection therewith, and such indemnification shall continue as to Hidalgo even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of Hidalgo's heirs, executors and administrators. The Company shall advance to Hidalgo to the extent permitted by law all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company of a written request, with appropriate documentation, for such advance. Such request shall include an undertaking by Hidalgo to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

17.2

Neither the failure of the Company (including its board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Hidalgo that indemnification of Hidalgo is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or stockholders) that Hidalgo has not met such applicable standard of conduct, shall create a presumption that Hidalgo has not met the applicable standard of conduct.

17.3

The Company agrees to continue and maintain a directors' and officers' liability insurance policy covering Hidalgo to the extent the Company provides such coverage for its other executive officers.

17.4

Promptly after receipt by Hidalgo of notice of any claim or the commencement of any action or proceeding with respect to which Hidalgo is entitled to indemnity hereunder, Hidalgo shall notify the Company in writing of such claim or the commencement of such action or proceeding, and the Company shall (i) assume the defense of such action or proceeding, (ii) employ counsel reasonably satisfactory to Hidalgo, and (iii) pay the reasonable fees and expenses of such counsel. Notwithstanding the preceding sentence, Hidalgo shall be entitled to employ counsel separate from counsel for the Company and from any other party in such action if Hidalgo reasonably determines that a conflict of interest exists which makes representation by counsel chosen by the Company not advisable. In such event, the reasonable fees and disbursements of such separate counsel for Hidalgo shall be paid by the Company to the extent permitted by law.

4

17.5

After the termination of this Agreement and upon the request of Hidalgo, the Company agrees to reimburse Hidalgo for all reasonable travel, legal and other out-of-pocket expenses related to assisting the Company to prepare for or defend against any action, suit, proceeding or claim brought or threatened to be brought against the Company or to prepare for or institute any action, suit, proceeding or claim to be brought or threatened to be brought against a third party arising out of or based upon the transactions contemplated herein and in providing evidence, producing documents or otherwise participating in any such action, suit, proceeding or claim. In the event Hidalgo is required to appear after termination of this Agreement at a judicial or regulatory hearing in connection with Hidalgo's employment hereunder, or Hidalgo's role in connection therewith, the Company agrees to pay Hidalgo a sum, to be mutually agreed upon by Hidalgo and the Company, per diem for each day of his appearance and each day of preparation therefor.

18. Notices. All demands, notices, and other communications to be given hereunder, if any, shall be in writing and shall be sufficient for all purposes if personally delivered, sent by facsimile or sent by United States mail to the address below or such other address or addresses as such party may hereafter designate in writing to the other party as herein provided.

Company:
WPCS International Incorporated
140 South Village Avenue, Suite 20
Exton, PA 19341

Hidalgo:
608 Perimeter Drive
Downingtown, PA 19335

19. Entire Agreement. This Agreement contains the entire agreement of the parties and there are no other promises or conditions in any other agreement, whether oral or written. This Agreement supersedes any prior written or oral agreements between the parties. This Agreement may be modified or amended, if the amendment is made in writing and is signed by both parties. This Agreement is for the unique personal services of Hidalgo and is not assignable or delegable, in whole or in part, by Hidalgo. This Agreement may be assigned or delegated, in whole or in part, by the Company and, in such case, shall be assumed by and become binding upon the person, firm, company, corporation or business organization or entity to which this Agreement is assigned. The headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and, in pleading or proving any provision of this Agreement, it shall not be necessary to produce more than one of such counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

WPCS INTERNATIONAL INCORPORATED:

HIDALGO:

By: /s/ ANDREW HIDALGO

/s/ ANDREW HIDALGO

Name: Andrew Hidalgo

Andrew Hidalgo

Title: Chairman, President & CEO

neither this warrant nor the shares of Common Stock issuable upon exercise hereof have been registered under the securities act of 1933, as amended, or any applicable state securities law and neither may be sold or otherwise transferred until (i) a registration statement under such securities act and such applicable state securities laws shall have become effective with regard thereto, or (ii) the company shall have received a written opinion of counsel acceptable to the company to the effect that registration under such securities act and such applicable state securities laws is not required in connection with such proposed transfer.

WPCS INTERNATIONAL INCORPORATED

COMMON STOCK PURCHASE WARRANT

Warrant No. A-1

44,444 shares

Original Issue Date:

THIS CERTIFIES THAT, FOR VALUE RECEIVED, [] or its registered assigns ("Holder") is entitled to purchase, on the terms and conditions hereinafter set forth, at any time or from time to time from the date hereof until 5:00 p.m., Eastern Time, on third anniversary of the Original Issue Date set forth above, or if such date is not a day on which the Company (as hereinafter defined) is open for business, then the next succeeding day on which the Company is open for business (such date is the "Expiration Date"), but not thereafter, to purchase up to FORTY-FOUR THOUSAND FOUR HUNDRED FORTY-FOUR (44,444) shares of the Common Stock, \$.0001 par value (the "Common Stock"), of WPCS International Incorporated, a Delaware corporation (the "Company"), at \$.75 per share (the "Exercise Price"), such number of shares and Exercise Price being subject to adjustment upon the occurrence of the contingencies set forth in this Warrant. Each share of Common Stock as to which this Warrant is exercisable is a "Warrant Share" and all such shares are collectively referred to as the "Warrant Shares."

Section 1. Exercise of Warrant; Conversion of Warrant.

(a) This Warrant may, at the option of Holder, be exercised in whole or in part from time to time by delivery to the Company at its principal office, Attention: President, on or before 5:00 p.m., Eastern Time, on the Expiration Date, (i) a written notice of such Holder's election to exercise this Warrant (the "Exercise Notice"), which notice may be in the form of the Notice of Exercise attached hereto, properly executed and completed by Holder or an authorized officer thereof, (ii) a check payable to the order of the Company, in an amount equal to the product of the Exercise Price multiplied by the number of Warrant Shares specified in the Exercise Notice, and (iii) this Warrant (the items specified in (i), (ii), and (iii) are collectively the "Exercise Materials").

(b) As promptly as practicable, and in any event within five (5) business days after its receipt of the Exercise Materials, Company shall execute or cause to be executed and delivered to Holder a certificate or certificates representing the number of Warrant Shares specified in the Exercise Notice, together with cash in lieu of any fraction of a share, and if this Warrant is partially exercised, a new warrant on the same terms for the unexercised balance of the Warrant Shares. The stock certificate or certificates shall be registered in the name of Holder or such other name or names as shall be designated in the Exercise Notice. The date on which the Warrant shall be deemed to have been exercised (the "Effective Date"), and the date the person in whose name any certificate evidencing the Common Stock issued upon the exercise hereof is issued shall be deemed to have become the holder of record of such shares, shall be the date the Company receives the Exercise Materials, irrespective of the date of delivery of a certificate or certificates evidencing the Common Stock issued upon the exercise or

conversion hereof, provided, however, that if the Exercise Materials are received by the Company on a date on which the stock transfer books of the Company are closed, the Effective Date shall be the next succeeding date on which the stock transfer books are open. All shares of Common Stock issued upon the exercise or conversion of this Warrant will, upon issuance, be fully paid and nonassessable and free from all taxes, liens, and charges with respect thereto.

Section 2. Adjustments to Warrant Shares. The number of Warrant Shares issuable upon the exercise hereof shall be subject to adjustment as follows:

(a) In the event the Company is a party to a consolidation, share exchange, or merger, or the sale of all or substantially all of the assets of the Company to, any person, or in the case of any consolidation or merger of another corporation into the Company in which the Company is the surviving corporation, and in which there is a reclassification or change of the shares of Common Stock of the Company, this Warrant shall after such consolidation, share exchange, merger, or sale be exercisable for the kind and number of securities

or amount and kind of property of the Company or the corporation or other entity resulting from such share exchange, merger, or consolidation, or to which such sale shall be made, as the case may be (the "Successor Company"), to which a holder of the number of shares of Common Stock deliverable upon the exercise (immediately prior to the time of such consolidation, share exchange, merger, or sale) of this Warrant would have been entitled upon such consolidation, share exchange, merger, or sale; and in any such case appropriate adjustments shall be made in the application of the provisions set forth herein with respect to the rights and interests of Holder, such that the provisions set forth herein shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to the number and kind of securities or the type and amount of property thereafter deliverable upon the exercise of this Warrant. The above provisions shall similarly apply to successive consolidations, share exchanges, mergers, and sales. Any adjustment required by this Section 2 (a) because of a consolidation, share exchange, merger, or sale shall be set forth in an undertaking delivered to Holder and executed by the Successor Company which provides that Holder shall have the right to exercise this Warrant for the kind and number of securities or amount and kind of property of the Successor Company or to which the holder of a number of shares of Common Stock deliverable upon exercise (immediately prior to the time of such consolidation, share exchange, merger, or sale) of this Warrant would have been entitled upon such consolidation, share exchange, merger, or sale. Such undertaking shall also provide for future adjustments to the number of Warrant Shares and the Exercise Price in accordance with the provisions set forth in Section 2 hereof.

(b) In the event the Company should at any time, or from time to time after the Original Issue Date, fix a record date for the effectuation of a stock split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock, or securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon exercise or exercise thereof), then, as of such record date (or the date of such dividend, distribution, split, or subdivision if no record date is fixed), the number of Warrant Shares issuable upon the exercise hereof shall be proportionately increased and the Exercise Price shall be appropriately decreased by the same proportion as the increase in the number of outstanding Common Stock Equivalents

2

of the Company resulting from the dividend, distribution, split, or subdivision. Notwithstanding the preceding sentence, no adjustment shall be made to decrease the Exercise Price below \$.0001 per Share.

(c) In the event the Company should at any time or from time to time after the Original Issue Date, fix a record date for the effectuation of a reverse stock split, or a transaction having a similar effect on the number of outstanding shares of Common Stock of the Company, then, as of such record date (or the date of such reverse stock split or similar transaction if no record date is fixed), the number of Warrant Shares issuable upon the exercise hereof shall be proportionately decreased and the Exercise Price shall be appropriately increased by the same proportion as the decrease of the number of outstanding Common Stock Equivalents resulting from the reverse stock split or similar transaction.

(d) In the event the Company should at any time or from time to time after the Original Issue Date, fix a record date for a reclassification of its Common Stock, then, as of such record date (or the date of the reclassification if no record date is set), this Warrant shall thereafter be convertible into such number and kind of securities as would have been issuable as the result of such reclassification to a holder of a number of shares of Common Stock equal to the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such reclassification, and the Exercise Price shall be unchanged.

(e) The Company will not, by amendment of its Certificate of Incorporation or through reorganization, consolidation, merger, dissolution, issue, or sale of securities, sale of assets or any other voluntary action, void or seek to avoid the observance or performance of any of the terms of the Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of Holder against dilution or other impairment.

Without limiting the generality of the foregoing, the Company (x) will not create a par value of any share of stock receivable upon the exercise of the Warrant above the amount payable therefor upon such exercise, and (y) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares upon the exercise of the Warrant.

(f) When any adjustment is required to be made in the number or kind of shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify Holder of such event and of the number of shares of Common Stock or other securities or property thereafter purchasable upon exercise of the Warrants and of the Exercise Price, together with the computation resulting in such adjustment.

(g) The Company covenants and agrees that all Warrant Shares which may be issued will, upon issuance, be validly issued, fully paid, and non-assessable. The Company further covenants and agrees that the Company will at all times have authorized and reserved, free from preemptive rights, a sufficient number of shares of its Common Stock to provide for the exercise of the Warrant in full.

SECTION 3. Redemption

(a) Commencing from the effective date of the registration statement in which the shares of Common Stock issuable upon exercise of this Warrant shall be included, on not less than thirty (30) days prior written notice, the Warrants may be redeemed, at the option of the Company, at a redemption price of \$0.01 per share of Common Stock issuable upon exercise of this Warrant (the "Redemption Price"), provided the average closing price of the Company's 3

3

Common Stock (or the last sale price, if quoted on a national securities exchange) for a period of ten (10) days exceeds \$1.25.

(b) In case the Company shall desire to exercise its right to so redeem the Warrants, it shall mail a notice of redemption to each of the registered Holders of the Warrants to be redeemed, first class, postage prepaid, not later than the thirtieth (30th) day before the date fixed for redemption, at their last address as shall appear on the records of the Company. Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Holder receives such notice.

(c) The notice of redemption shall specify (i) the redemption price, (ii) the date fixed for redemption, (iii) the place where the Warrant certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise the Warrant shall terminate at 5:00 p.m. (New York, New York time) on the business day immediately preceding the date fixed for redemption (the "Redemption Date"). No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a Holder (a) to whom notice was not mailed or (b) whose notice was defective. An affidavit of the Secretary or an Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(d) Any right to exercise a Warrant that has been called for redemption shall terminate at 5:00 p.m. (New York, New York time) on the business day immediately preceding the Redemption Date. On and after the Redemption Date, Holders of the redeemed Warrants shall have no further rights except to receive, upon surrender of the redeemed Warrant, the Redemption Price.

(e) From and after the date specified for redemption, the Company shall, at the place specified in the notice of redemption, upon presentation and surrender to the Company by or on behalf of the Registered Holder thereof of one or more Warrants to be redeemed, deliver or cause to be delivered to or upon the written order of such Holder a sum in cash equal to the redemption price of each such Warrant. From and after the date fixed for redemption and upon the deposit or setting aside by the Company of a sum sufficient to redeem all the Warrants called for redemption, such Warrants shall expire and become void and all rights hereunder and under the Warrant certificates, except the right to receive payment of the redemption price, shall cease.

Section 4. No Stockholder Rights. This Warrant shall not entitle Holder hereof to any voting rights or other rights as a stockholder of the Company.

Section 5. Transfer of Securities.

(a) This Warrant and the Warrant Shares and any shares of capital stock received in respect thereof, whether by reason of a stock split or share reclassification thereof, a stock dividend thereon, or otherwise, shall not be transferable except upon compliance with the provisions of the Securities Act of 1933, as amended (the "Securities Act") and applicable state securities laws with respect to the transfer of such securities. The Holder, by acceptance of this Warrant, agrees to be bound by the provisions of Section 4 hereof and to indemnify and hold harmless the Company against any loss or liability arising from the disposition of this Warrant or the Warrant Shares issuable upon exercise hereof or any interest in either thereof in violation of the provisions of this Warrant.

4

(b) Each certificate for the Warrant Shares and any shares of capital stock received in respect thereof, whether by reason of a stock split or share reclassification thereof, a stock dividend thereon or otherwise, and each certificate for any such securities issued to subsequent transferees of any such certificate shall (unless otherwise permitted by the provisions hereof) be stamped or otherwise imprinted with a legend in substantially the following form:

"neither this warrant nor the shares of Common Stock issuable upon exercise hereof have been registered under the securities act of 1933, as amended, or any applicable state securities law and neither may be sold or otherwise transferred until (i) a registration statement under such securities act and such applicable state securities laws shall have become effective with regard thereto, or (ii) the company shall have received a written opinion of counsel acceptable to the company to the effect that registration under such securities act and such applicable state securities laws is not required in connection with such proposed transfer."

Section 6. Registration.

All Warrant Shares are subject to the rights and privileges granted to the participants in the private placement offering pursuant to which this Warrant was issued.

Section 7. Miscellaneous.

(a) The terms of this Warrant shall be binding upon and shall inure to the benefit of any successors or permitted assigns of the Company and Holder.

(b) Except as otherwise provided herein, this Warrant and all rights hereunder are transferable by the registered holder hereof in person or by duly authorized attorney on the books of the Company upon surrender of this Warrant, properly endorsed, to the Company. The Company may deem and treat the registered holder of this Warrant at any time as the absolute owner hereof for all purposes and shall not be affected by any notice to the contrary.

(c) Notwithstanding any provision herein to the contrary, Holder may not exercise, sell, transfer, or otherwise assign this Warrant unless the Company is provided with an opinion of counsel satisfactory in form and substance to the Company, to the effect that such exercise, sale, transfer, or assignment would not violate the Securities Act or applicable state securities laws.

(d) This Warrant may be divided into separate warrants covering one share of Common Stock or any whole multiple thereof, for the total number of shares of Common Stock then subject to this Warrant at any time, or from time to time, upon the request of the registered holder of this Warrant and the surrender of the same to the Company for such purpose. Such subdivided Warrants shall be issued promptly by the Company following any such request and shall be of the same form and tenor as this Warrant, except for any requested change in the name of the registered holder stated herein.

(e) Any notices, consents, waivers, or other communications required or permitted to be given under the terms of this Warrant must be in writing and will be deemed to have been delivered (a) upon receipt, when delivered personally, (b) upon receipt, when sent by facsimile, provided a copy is mailed by U.S. certified mail, return receipt requested, (c) three (3) days after being sent by U.S. certified mail, return receipt requested, or (d) one (1) day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same.

5

If to Holder, to the registered address of Holder appearing on the books of the Company. Each party shall provide five (5) days prior written notice to the other party of any change in address, which change shall not be effective until actual receipt thereof

(f) The corporate laws of the State of Delaware shall govern all issues concerning the relative rights of the Company and its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by the internal laws of the

State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Warrant shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Warrant in that jurisdiction or the validity or enforceability of any provision of this Warrant in any other jurisdiction.

[Signatures on the following page]

6

signature page
to
WPCS INTERNATIONAL INCORPORATED
common stock purchase warrant

IN WITNESS WHEREOF, the Company, has caused this Warrant to be executed in its name by its duly authorized officers under seal, and to be dated as of the date first above written.

WPCS INTERNATIONAL INCORPORATED

By: _____
Name: Andrew Hidalgo
Title: President

7

ASSIGNMENT

(To be Executed by the Registered Holder to effect a Transfer of the foregoing Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, and assigns and transfers _____ unto _____ the foregoing Warrant and the rights represented thereto to purchase shares of Common Stock of WPCS INTERNATIONAL INCORPORATED in accordance with terms and conditions thereof, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Warrant on the books of the Company, with full power of substitution.

Holder:

Address

Dated: _____, 20__

In the presence of:

8

EXERCISE or conversion notice

[To be signed only upon exercise of Warrant]

To: WPCS INTERNATIONAL INCORPORATED

The undersigned Holder of the attached Warrant hereby irrevocably elects to exercise the Warrant for, and to purchase thereunder, _____ shares of Common Stock of WPCS INTERNATIONAL INCORPORATED, issuable upon exercise of said Warrant and hereby surrenders said Warrant.

The undersigned herewith requests that the certificates for such shares be issued in the name of, and delivered to the undersigned, whose address is _____.

If electronic book entry transfer, complete the following:

Account Number: _____

Transaction Code Number: _____

Dated: _____

Holder:

By:

Name:
Title:

NOTICE

The signature above must correspond to the name as written upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatsoever.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 30th day of December, 2002 (the "Effective Date").

AMONG:

WALKER COMM, INC., a body corporate formed pursuant to the laws of the State of California and having an office for business located at 521 Railroad Avenue, Fairfield, California 94533 ("Walker") and wholly owned subsidiary of Parent (as defined below);

WPCS INTERNATIONAL INCORPORATED, a body corporate formed pursuant to the laws of the State of Delaware and having an office for business located at 140 South Village Avenue, Suite 20, Exton, Pennsylvania 19341 ("Parent") (collectively, Parent and Walker, the "Employer");

AND:

DONALD C. WALKER, an individual having an address at 521 Railroad Avenue, Fairfield, California 94533 ("Employee")

WHEREAS:

A. Employee has acted as President of Walker since December 24, 1996; and

B. Employee and Employer are parties to that certain Agreement and Plan of Merger, made as of December 30, 2002 (the "Merger Agreement"), pursuant to which Employee has agreed to continue to serve as President of Walker and Executive Vice President of Parent, and Employer has agreed to hire Employee as such, pursuant to the terms and conditions of this Employment Agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and the mutual covenants, agreements, representations and warranties contained herein, the Merger Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Employee and Employer hereby agree as follows:

ARTICLE 1
EMPLOYMENT

Walker hereby affirms, renews and extends the employment of Employee as Walker's President, and Employee hereby affirms, renews and accepts such employment by Walker and Parent hereby affirms and extends the employment of Employee as Parent's

1

Executive Vice President for the "Term" (as defined in Article 3 below), upon the terms and conditions set forth herein.

ARTICLE 2
DUTIES

During the Term, Employee shall serve Employer faithfully, diligently and to the best of his ability, under the direction of the Boards of Directors of Employer and shall use his best efforts to promote the interests and goodwill of Employer and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or future purchasers of Employer. Employee shall render such services during the Term at Walker's principal place of business or at such other place of business as may be determined by the Board of Directors of Employer, as Employer may from time to time reasonably require of him, and shall devote all of his business time to the performance thereof. Employee shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the Board of Directors. The precise services and duties which Employee is obligated to perform hereunder may from time to time be changed, amended, extended or curtailed by the Board of Directors of Employer.

ARTICLE 3
TERM

The "Term" of this Agreement shall commence on the Effective Date and continue thereafter for a term of four (4) years, as may be extended or earlier terminated pursuant to the terms and conditions of this Agreement. The Term of this Agreement shall automatically renew for successive one (1) year periods unless, prior to the 30th calendar day preceding the expiration of the then existing Term, either Employer or Employee provides written notice to the other that it elects not to renew the Term. Upon delivery of such notice, this Agreement shall continue until expiration of the Term, whereupon this Agreement shall terminate and neither party shall have any further obligation thereafter arising under this Agreement, except as explicitly set forth herein to the contrary.

ARTICLE 4
COMPENSATION

Salary

4.1 Employer shall pay to Employee an annual salary (the "Salary") of One Hundred Forty Thousand Dollars (\$140,000.00), payable in equal installments at the end of such regular payroll accounting periods as are established by Walker, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Walker's usual payroll procedures, but no less frequently than monthly.

2

Benefits

4.2 During the Term, Employee shall be entitled to participate in all medical and other employee benefit plans, including vacation, sick leave, retirement accounts and other employee benefits provided by Walker to similarly situated employees on terms and conditions no less favorable than those offered to such employees. Such participation shall be subject to the terms of the applicable plan documents, Walker's generally applicable policies, and the discretion of the Board of Directors or any administrative or other committee provided for in, or contemplated by, such plan.

Expense Reimbursement

4.3 Walker shall reimburse Employee for reasonable and necessary expenses incurred by him on behalf of Walker in the performance of his duties hereunder during the Term, including, without limitation, reimbursement for cellular telephone expenses in accordance with Walker's then customary policies, provided that such expenses are adequately documented.

Automobile

4.4 Employee shall be entitled to the full-time use of an automobile owned or leased by Walker. In addition, Walker shall reimburse Employee for all maintenance and gasoline expenses associated with the automobile, provided that such expenses are adequately documented.

Bonus

4.5 In addition to the Salary, Employee shall be entitled to receive a quarterly bonus equal to 3% (the "Bonus") of Walker operating income (i) after the elimination of all expenses related to (y) services provided to Walker by WPCS or any affiliate thereof and (z) transactions between Walker and WPCS or any affiliate thereof, and (ii) prior to the deduction of interest, taxes, depreciation and amortization. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of Walker, as calculated based on U.S. generally accepted accounting principles.. Walker shall instruct its auditor to calculate the Bonus for each fiscal quarter or portion thereof ending after the date of this Agreement (an "Auditor's Bonus Report"), within 50 days following the end of each fiscal quarter or 105 days after each fiscal year end. Walker shall provide a copy of each Auditor's Bonus Report to Employee promptly upon receipt thereof. Employee shall have the right to review and independently verify the conclusions of any Auditor's Bonus Report by delivering notice in writing to Walker within 30 days after receipt of any such Auditor's Bonus Report indicating that Employee wishes to exercise his right of review and verification. Within 10 business days after receipt of any such notice, Walker shall make available to Employee and his representatives, at reasonable times during normal business hours, the books and records of Walker which are reasonably necessary to conduct such review and verification. Employee shall cause

3

such review to be conducted and concluded as quickly as reasonably practicable and in such a manner so as not to unreasonably interfere with the business and operations of Walker. Any representatives conducting such review shall, prior to being given access to such books and records, be required to enter into confidentiality and non-disclosure agreements with Walker on terms and conditions satisfactory to Walker, acting reasonably. The costs of any such review shall be borne by Employee unless the review indicates a discrepancy between the Bonus figure contained in the Auditor's Bonus Report and the figure, if any, agreed to by Walker and Employee following such review of greater than 10%. If Employee and Walker shall be unable to resolve any dispute respecting any determination contained in any Auditor's Bonus Report, then any disputed matters ("Disputed Items") shall, within 20 days after notice is delivered by Employee to Walker that there exist Disputed Items, be submitted to arbitration as set forth below. Within five (5) business days of Employee's delivery of written acceptance of the Auditor's Bonus Report (as may have been amended or adjusted pursuant to the foregoing procedures) to Employer, Employer shall pay Employee the Bonus in a lump sum, subject to Walker's statutory and customary withholdings.

Arbitration

4.6 An independent chartered accountant chosen by Employer (hereinafter referred to as "Employer's Accountant") and an independent chartered accountant chosen by Employee (herein after referred to as "Employee's Accountant") shall together within 20 days, appoint a representative from an accounting firm (other than Employer's Accountant or Employee's Accountant) to arbitrate the dispute (hereinafter referred to as the "Arbitrator"). The parties shall, within 20 days after the appointment of the Arbitrator, present their position with respect to the Disputed Items to the Arbitrator together with such other materials as the Arbitrator deems appropriate. The Arbitrator shall within 20 days after the submission of such evidence, submit its written decision on each Disputed Item to the parties. Any determination by the Arbitrator with respect to any Disputed Item shall be final and binding on such parties. The Arbitrator shall comply, and the arbitration shall be conducted in accordance with, the Commercial Arbitration Rules of American Arbitration Association then in force. If the Arbitrator determines that the Auditor's Bonus Report was correct so that the Bonus presented therein was equal to or greater than the actual Bonus, or less than the actual Bonus by a less than 10% variance, the costs of any such arbitration shall be borne by Employee. If the Arbitrator determines that the Auditor's Bonus Report was incorrect so that the Bonus presented therein was less than the actual Bonus by more than 10%, the costs of any such arbitration shall be borne by Employer.

ARTICLE 5 OTHER EMPLOYMENT

During the Term of this Agreement, Employee shall devote substantially all of his business and professional time and effort, attention, knowledge, and skill to the management, supervision and direction of Employer's business and affairs as Employee's

4

highest professional priority. Except as provided below, Employer shall be entitled to all benefits, profits or other issues arising from or incidental to all work, services and advice performed or provided by Employee. Nothing in this Agreement shall preclude Employee from devoting reasonable periods required for:

- (a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of Employer, provided that Employee must obtain the written consent of Employer;
- (b) serving as a consultant in his area of expertise (in areas other than in connection with the business of Employer), to government, industrial, and academic panels where it does not conflict with the interests of Employer; and
- (c) managing his personal investments or engaging in any other non-competing business;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

ARTICLE 6 CONFIDENTIAL INFORMATION/ INVENTIONS

Confidential Information

6.1 Employee shall not, in any manner, for any reasons, either directly or indirectly, divulge or communicate to any person, firm or corporation, any confidential information concerning any matters not generally known in the wireless communications industry or otherwise made public by Employer which affects or relates to Employer's business, finances, marketing and/ or operations, research, development, inventions, products, designs, plans, procedures, or other data (collectively, "Confidential Information") except in the ordinary course of business or as required by applicable law. Without regard to whether any item of Confidential Information is deemed or considered confidential, material, or important, the parties hereto stipulate that as between them, to the extent such item is not generally known in the wireless communications industry, such item is important, material, and confidential and affects the successful conduct of Employer's business and goodwill, and that any breach of the terms of this Section 6.1 shall be a material and incurable breach of this Agreement. Confidential Information shall not include: (i) information obtained or which became known to Employee other than through his employment by Employer; (ii) information in the public domain at the time of the disclosure of such information by Employee; (iii) information that Employee can document was independently developed by Employee; and (iv) information that is disclosed by Employee with the prior written consent of Parent.

5

Documents

6.2 Employee further agrees that all documents and materials furnished to Employee by Employer and relating to the Employer's business or prospective

business are and shall remain the exclusive property of Employer. Employee shall deliver all such documents and materials, uncopied, to Employer upon demand therefore and in any event upon expiration or earlier termination of this Agreement. Any payment of sums due and owing to Employee by Employer upon such expiration or earlier termination shall be conditioned upon returning all such documents and materials, and Employee expressly authorizes Employer to withhold any payments due and owing pending return of such documents and materials.

Inventions

6.3 All ideas, inventions, and other developments or improvements conceived or reduced to practice by Employee, alone or with others, during the Term of this Agreement, whether or not during working hours, that are within the scope of the business of Employer or that relate to or result from any of Employer's work or projects or the services provided by Employee to Employer pursuant to this Agreement, shall be the exclusive property of Employer. Employee agrees to assist Employer, at Employer's expense, to obtain patents and copyrights on any such ideas, inventions, writings, and other developments, and agrees to execute all documents necessary to obtain such patents and copyrights in the name of Employer.

Disclosure

6.4 During the Term, Employee will promptly disclose to the Board of Directors of Walker full information concerning any interest, direct or indirect, of Employee (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his immediate family in any business that is reasonably known to Employee to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Walker or to any of its suppliers or customers.

ARTICLE 7 COVENANT NOT TO COMPETE

Except as expressly permitted in Article 5 above, during the Term of this Agreement, Employee shall not engage in any of the following competitive activities: (a) engaging directly or indirectly in any business or activity substantially similar to any business or activity engaged in (or proposed to be engaged in) by Walker; (b) engaging directly or indirectly in any business or activity competitive with the any business or activity engaged in (or proposed to be engaged in) by Walker; (c) soliciting or taking away any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor of Walker, or attempting to so solicit or take away; (d) interfering with any contractual or other relationship between Walker and any employee,

6

agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor; or (e) using, for the benefit of any person or entity other than Walker, any Confidential Information of Walker. The foregoing covenant prohibiting competitive activities shall survive the termination of this Agreement and shall extend, and shall remain enforceable against Employee, for the period of two (2) years following the date this Agreement is terminated. In addition, during the two-year period following such expiration or earlier termination, neither Employee nor Walker shall not make or permit the making of any negative statement of any kind concerning Walker or its affiliates, or their directors, officers or agents or Employee.

ARTICLE 8 SURVIVAL

Employee agrees that the provisions of Articles 6, 7 and 9 shall survive expiration or earlier termination of this Agreement for any reasons, whether voluntary or involuntary, with or without cause, and shall remain in full force and effect thereafter. Notwithstanding the foregoing, if this Agreement is terminated upon the dissolution of Parent or Walker, the filing of a petition in bankruptcy by Parent or Walker or upon an assignment for the benefit of creditors of the assets of Parent or Walker, Articles 6, 7 and 9 shall be of no further force or effect.

ARTICLE 9 INJUNCTIVE RELIEF

Employee acknowledges and agrees that the covenants and obligations of Employee set forth in Articles 6 and 7 with respect to non-competition, non-solicitation, confidentiality and Employer's property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause Employer irreparable injury for which adequate remedies are not available at law. Therefore, Employee agrees that Employer shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain Employee from committing any violation of the covenants and obligations referred to in this Article 9. These injunctive remedies are cumulative and in addition to any other rights and remedies Employer may have at law or in equity.

ARTICLE 10
TERMINATION

Termination by Employee

10.1 Employee may terminate this Agreement for Good Reason at any time upon 30 days' written notice to Employer, provided the Good Reason has not been cured within such period of time. Employee may terminate this Agreement at any time for any reason upon 30 days' prior notice to Employer.

7

Good Reason

10.2 In this Agreement, "Good Reason" means, without Employee's prior written consent, the occurrence of any of the following events, unless Employer shall have fully cured all grounds for such termination within thirty (30) days after Employee gives notice thereof:

- (i) any reduction in his then-current Salary;
- (ii) any material failure to timely grant, or timely honor, any equity or long-term incentive award;
- (iii) failure to pay or provide required compensation and benefits;
- (iv) any failure to appoint, elect or reelect him to the position of President of Walker; the removal of him from such position; or any changes in the reporting structure so that Employee reports to someone other than the board of directors of Walker in connection with such position;
- (v) any material diminution in his title or duties or the assignment to him of duties not customarily associated with Employee's position as President (Walker) and Executive Vice President (Parent);
- (vi) any relocation of Employee's office as assigned to him by Employer, to a location more than 25 miles from Walker's current office;
- (viii) the failure of Employer to obtain the assumption in writing of its obligation to perform the Employment Agreement by any successor to all or substantially all of the assets of Walker or Parent or upon a merger, consolidation, sale or similar transaction of Walker or Parent; or
- (ix) the voluntary or involuntary dissolution of Walker or Parent, the filing of a petition in bankruptcy by Parent or Walker or upon an assignment for the benefit of creditors of the assets of Parent or Walker.

The written notice given hereunder by Employee to Employer shall specify in reasonable detail the cause for termination, and such termination notice shall not be effective until thirty (30) days after Employer's receipt of such notice, during which time Employer shall have the right to respond to Employee's notice and cure the breach or other event giving rise to the termination.

Termination by Employer

10.3 Employer may terminate its employment of Employee under this Agreement for cause at any time by written notice to Employee. For purposes of this Agreement, the

8

term "cause" for termination by Employer shall be (a) a conviction of or plea of guilty or nolo contendere by Employee to a felony, or any crime involving fraud or embezzlement; (b) the refusal by Employee to perform his material duties and obligations hereunder; (c) Employee's willful and intentional misconduct in the performance of his material duties and obligations; or (d) if Employee or any member of his family makes any personal profit arising out of or in connection with a transaction to which Employer is a party or with which it is associated without making disclosure to and obtaining the prior written consent of Parent. The written notice given hereunder by Employer to Employee shall specify in reasonable detail the cause for termination. For purposes of this Agreement, "family" shall mean Employee's spouse and/or children. In the case of a termination for the causes described in (a) and (d) above, such termination shall be effective upon receipt of the written notice. In the case of the causes described in (b) and (c) above, such termination notice shall not be effective until thirty (30) days after Employee's receipt of such notice, during which time Employee shall have the right to respond to Employer's notice and cure the breach or other event giving rise to the termination.

Severance

10.4 Upon a termination of this Agreement without Good Reason by Employee or with cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation as of the date of such termination, subject to the provision of Section 6.2. Upon a termination of this Agreement with Good Reason by Employee or without cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation and expense reimbursement as of the date of such termination and the "Severance Payment." The Severance Payment shall be payable in a lump sum, subject to Walker's statutory and customary withholdings. If the termination of Employee hereunder is by Employee with Good Reason, the Severance Payment shall be paid by Employer within five (5) business days of the expiration of any applicable cure period. If the termination of Employee hereunder is by Employer without cause, the Severance Payment shall be paid by Employer within five (5) business days of termination. The "Severance Payment" shall equal the greater of: (a) the total amount of the Salary payable to Employee under Section 4.1 of this Agreement from the date of such termination until the end of the Term of this Agreement (prorated for any partial month), or (b) the amount of twelve (12) months' Salary; notwithstanding the foregoing, during any renewal term of this Agreement, the amount of the "Severance Payment" payable to Employee hereunder shall equal six (6) months' Salary.

Termination Upon Death

10.5 If Employee dies during the Term of this Agreement, this Agreement shall terminate, except that Employee's legal representatives shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of death.

9

Termination Upon Disability

10.6 If, during the Term of this Agreement, Employee suffers and continues to suffer from a "Disability" (as defined below), then Employer may terminate this Agreement by delivering to Employee thirty (30) calendar days' prior written notice of termination based on such Disability, setting forth with specificity the nature of such Disability and the determination of Disability by Employer. For the purposes of this Agreement, "Disability" means Employee's inability, with reasonable accommodation, to substantially perform Employee's duties, services and obligations under this Agreement due to physical or mental illness or other disability for a continuous, uninterrupted period of sixty (60) calendar days or ninety (90) days during any twelve month period. Upon any such termination for Disability, Employee shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of termination.

ARTICLE 11 PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies and benefit plans which apply generally to Employer's employees as the same may be interpreted, adopted, revised or deleted from time to time, during the Term of this Agreement, by Parent in its sole discretion. During the Term hereof, Employee shall be entitled to vacation during each year of the Term at the rate of four (4) weeks per year. Within 30 days after the end of each year of the Term, Walker shall elect to (a) carry over and allow Employee the right to use any accrued and unused vacation of Employee, or (ii) pay Employee for such vacation in a lump sum in accordance with its standard payroll practices. Employee shall take such vacation at a time approved in advance by the Board of Directors of Walker, which approval will not be unreasonably withheld but will take into account the staffing requirements of Walker and the need for the timely performance of Employee's responsibilities.

ARTICLE 12 BENEFICIARIES OF AGREEMENT

This Agreement shall inure to the benefit of Employer and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or purchasers of Walker or Parent as they now or shall exist while this Agreement is in effect.

ARTICLE 13 GENERAL PROVISIONS

No Waiver

13.1 No failure by either party to declare a default based on any breach by the other party of any obligation under this Agreement, nor failure of such party to act quickly with

10

regard thereto, shall be considered to be a waiver of any such obligation, or of any future breach.

Modification

13.2 No waiver or modification of this Agreement or of any covenant,

condition, or limitation herein contained shall be valid unless in writing and duly executed by the parties to be charged therewith.

Choice of Law/Jurisdiction

13.3 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to any conflict-of-laws principles. Employer and Employee hereby consent to personal jurisdiction before all courts in the State of California, and hereby acknowledge and agree that California is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

13.4 This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and there are no inducements, promises, terms, conditions, or obligations made or entered into by Employer or Employee other than contained herein.

Severability

13.5 All agreements and covenants contained herein are severable, and in the event any of them, with the exception of those contained in Articles 1 and 4 hereof, shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

Headings

13.6 The headings contained herein are for the convenience of reference and are not to be used in interpreting this Agreement.

Independent Legal Advice

13.7 Employer has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice with respect to same before executing this Agreement. Employee, in executing this Agreement, represents and warrants to Employer that he has been so advised to obtain independent legal advice, and that prior to the execution of this Agreement he has so obtained independent legal advice, or has, in his discretion, knowingly and willingly elected not to do so.

11

No Assignment

13.8 Employee may not assign, pledge or encumber his interest in this Agreement nor assign any of his rights or duties under this Agreement without the prior written consent of Parent.

12

IN WITNESS WHEREOF the parties have executed this Agreement effective as of the day and year first above written.

WALKER COMM, INC.

By:/s/ ANDREW HIDALGO

Andrew Hidalgo, Director

WPCS INTERNATIONAL
INCORPORATED

By:/s/ ANDREW HIDLAGO

Andrew Hidalgo, President

/s/ DONALD C. WALKER

DONALD C. WALKER

CERTIFICATIONS

I, Andrew Hidalgo, certify that:

1. I have reviewed this annual report on Form 10-KSB of WPCS International Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the small business issuer and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others, particularly during the period in which this annual report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the small business issuer's disclosure controls and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing

1

the equivalent functions);
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

August 13, 2003

/s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

WPCS INTERNATIONAL INCORPORATED
2002 EMPLOYEE STOCK OPTION PLAN

1. Purposes

This 2002 Stock Option Plan (the "Plan") is intended to attract and retain the best available personnel for positions with WPCS International Incorporated or any of its subsidiary corporations (collectively, the "Company"), and to provide additional incentive to such employees and others to exert their maximum efforts toward the success of the Company. The above aims will be effectuated through the granting of certain stock options. Under the Plan, options may be granted which are intended to qualify as Incentive Stock Options ("ISOs") under Section 422 of the Internal Revenue Code of 1986 (the "Code") or which are not ("Non-ISOs") intended to qualify as Incentive Stock Options thereunder. The term "subsidiary corporation" shall, for the purposes of the Plan, be defined in the same manner as such term is defined in Section 424(f) of the Code and shall include a subsidiary of any subsidiary.

2. Administration of the Plan

(a) The Plan shall be administered by the Board of Directors of the Company (the "Board of Directors"), as the Board of Directors may be composed from time to time, except as provided in subparagraph (b) of this Paragraph 2. The determinations of the Board of Directors under the Plan, including without limitation as to the matters referred to in this Paragraph 2, shall be conclusive. Any determination by a majority of the members of the Board of Directors at any meeting, or by written consent in lieu of a meeting, shall be deemed to have been made by the whole Board of Directors. Within the limits of the express provisions of the Plan, the Board of Directors shall have the authority, in its discretion, to take the following actions under the Plan:

(i) to determine the individuals to whom, and the time or times at which, ISOs to purchase the Company's shares of common stock ("Common Shares"), shall be granted, and the number of Common Shares to be subject to each ISO,

(ii) to determine the individuals to whom, and the time or times at which, Non-ISOs to purchase the Common Shares, shall be granted, and the number of Common Shares to be subject to each Non-ISO,

(iii) to determine the terms and provisions of the respective stock option agreements granting ISOs and Non-ISOs (which need not be identical),

(iv) to interpret the Plan,

(v) to prescribe, amend and rescind rules and regulations relating to the Plan, and

(vi) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan. In making such determinations, the Board of Directors may take into account the nature of the services rendered by such individuals, their present and potential contributions to the Company's success and such other factors as the Board of Directors, in its discretion, shall deem relevant. An individual to whom an option has been granted under the Plan is referred to herein as an "Optionee."

(b) Notwithstanding anything to the contrary contained herein, the Board of Directors may at any time, or from time to time, appoint a committee (the "Committee") of at least two members of the Board of Directors, and delegate to the Committee the authority of the Board of Directors to administer the Plan. Upon such appointment and delegation, the Committee shall have all the powers, privileges and duties of the Board of Directors, and shall be substituted for the Board of Directors, in the administration of the Plan, except that the power to appoint members of the Committee and to terminate, modify or amend the Plan shall be retained by the Board of Directors. In the event that any member of the Board of Directors is at any time not a "disinterested person," as defined in Rule 16b-3(c)(3)(i) promulgated pursuant to the Securities Exchange Act of 1934, the

Plan shall not be administered by the Board of Directors, and may only be administered by a Committee, all the members of which are disinterested persons, as so defined. The Board of Directors may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may discharge the Committee. A majority of the Committee shall constitute a quorum and all determinations shall be made by a majority of its members. Any determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. Members of the Committee shall not be eligible to participate in this Plan.

3. Shares Subject to the Plan

The total number of Common Shares which shall be subject to ISOs and Non-ISOs granted under the Plan (collectively, "Options") shall be 500,000 in the aggregate, subject to adjustment as provided in Paragraph 8. The Company shall at all times while the Plan is in force reserve such number of Common Shares as will be sufficient to satisfy the requirements of outstanding Options. The Common Shares to be issued upon exercise of Options shall in whole or in part be authorized and unissued or reacquired Common Shares. The unexercised portion of any expired, terminated or canceled Option shall again be available for the grant of Options under the Plan.

4. Eligibility

(a) Subject to subparagraphs (b) and (c) of this Paragraph 4, Options may be granted to key employees, officers, directors or consultants of the Company, as determined by the Board of Directors.

(b) An ISO may be granted, consistent with the other terms of the Plan, to an individual who owns (within the meaning of Sections 422(b)(6) and 424(d) of the Code), more than ten (10%) percent of the total combined voting power or value of all classes of stock of the Company or a subsidiary corporation (any such person, a "Principal Stockholder") only if, at the time such ISO is granted, the purchase price of the Common Shares subject to the ISO is an amount which equals or exceeds one hundred ten percent (110%) of the fair market value of such Common Shares, and such ISO by its terms is not exercisable more than five (5) years after it is granted.

(c) A director or an officer of the Company who is not also an employee of the Company and consultants to the Company shall be eligible to receive Non-ISOs but shall not be eligible to receive ISOs.

(d) Nothing contained in the Plan shall be construed to limit the right to the Board of Directors to grant an ISO and Non-ISO concurrently under a single stock option agreement so long as each Option is clearly identified as to its status. Furthermore, if an Option has been granted under the Plan, additional Options may be granted from time to time to the Optionee holding such Options, and Options may be granted from time to time to one or more employees, officers or directors who have not previously been granted Options.

(e) To the extent that the grant of an Option results in the aggregate fair market value (determined at the time of grant) of the Common Shares (or other capital stock of the Company or any subsidiary) with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company and subsidiary corporation) to exceed \$100,000, such Options shall be treated as a Non-ISO. The provisions of this subparagraph (e) of Paragraph 4 shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder.

5. Terms of Options

The term of each Option granted under the Plan shall be contained in a stock option agreement between the Optionee and the Company and such terms shall be determined by the Board of Directors consistent with the provisions of the Plan, including the following:

2

(a) The purchase price of the Common Shares subject to each ISO shall not be less than the fair market value (or in the case of the grant of an ISO to a Principal Stockholder, not less than 110% of fair market value) of such Common Shares at the time such Option is granted. Such fair market value shall be determined by the Board of Directors and, if the Common Shares are listed on a national securities exchange or traded on the over-the-counter market, the fair market value shall be the mean of the highest and lowest trading prices or of the high bid and low asked prices of the Common Shares on such exchange, or on the over-the-counter market as reported by the NASDAQ system or the National Quotation Bureau, Inc., as the case may be, on the day on which the ISO is granted or, if there is no trading or bid or asked price on that day, the mean of the highest and lowest trading or high bid and low asked prices on the most recent day preceding the day on which the ISO is granted for which such prices are available.

(b) The purchase price of the Common Shares subject to each Non-ISO shall not be less than 85% of the fair market value of such Common Shares at the time such Option is granted. Such fair market value shall be determined by the Board of Directors in accordance with subparagraph (a) of this Paragraph 5. The purchase price of the Common Shares subject to each Non-ISO shall be determined at the time such Option is granted.

(c) The dates on which each Option (or portion thereof) shall be exercisable and the conditions precedent to such exercise, if any, shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted.

(d) The expiration of each Option shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted; however, unless otherwise

determined by the Board of Directors at the time such Option is granted, an Option shall be exercisable for ten (10) years after the date on which it was granted (the "Grant Date"). Each Option shall be subject to earlier termination as expressly provided in Paragraph 6 hereof or as determined by the Board of Directors, in its discretion, at the time such Option is granted.

(e) Options shall be exercised by the delivery by the Optionee thereof to the Company at its principal office, or at such other address as may be established by the Board of Directors, of written notice of the number of Common Shares with respect to which the Option is being exercised accompanied by payment in full of the purchase price of such Common Shares. Payment for such Common Shares may be made (as determined by the Board of Directors) (i) in cash, (ii) by certified check or bank cashier's check payable to the order of the Company in the amount of such purchase price, (iii) by a promissory note issued by the Optionee in favor of the Company in the amount equal to such purchase price and payable on terms prescribed by the Board of Directors, which provides for the payment of interest at a fair market rate, as determined by the Board of Directors, (iv) by delivery of capital stock to the Company having a fair market value (determined on the date of exercise in accordance with the provisions of subparagraph (a) of this Paragraph 5) equal to said purchase price, or (v) by any combination of the methods of payment described in clauses (i) through (iv) above.

(f) An Optionee shall not have any of the rights of a stockholder with respect to the Common Shares subject to his Option until such shares are issued to him upon the exercise of his Option as provided herein.

(g) No Option shall be transferable, except by will or the laws of descent and distribution, and any Option may be exercised during the lifetime of the Optionee only by him. No Option granted under the Plan shall be subject to execution, attachment or other process.

6. Death or Termination of Employment

(a) If employment or other relationship of an Optionee with the Company shall be terminated voluntarily by the Optionee and without the consent of the Company or for "Cause" (as hereinafter defined), and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee to the extent not theretofore exercised shall expire forthwith. For purposes of the Plan, "Cause" shall mean "Cause" as defined in any employment agreement ("Employment Agreement")

3

between Optionee and the Company, and, in the absence of an Employment Agreement or in the absence of a definition of "Cause" in such Employment Agreement, "Cause" shall mean (i) any continued failure by the Optionee to obey the reasonable instructions of the President or any member of the Board of Directors, (ii) continued neglect by the Optionee of his duties and obligations as an employee of the Company, or a failure to perform such duties and obligations to the reasonable satisfaction of the President or the Board of Directors, (iii) willful misconduct of the Optionee or other actions in bad faith by the Optionee which are to the detriment of the Company, including without limitation commission of a felony, embezzlement or misappropriation of funds or commission of any act of fraud or (iv) a breach of any material provision of any Employment Agreement not cured within 10 days after written notice thereof.

(b) If such employment or other relationship shall terminate other than (i) by reason of death, (ii) voluntarily by the optionee and without the consent of the Company, or (iii) for Cause, and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee may be exercised at any time within one month after such termination, subject to the provisions of subparagraph (d) of this Paragraph 6. After such one-month period, the unexercised Options shall expire. For the purposes of the Plan, the retirement of an Optionee either pursuant to a pension or retirement plan adopted by the Company or on the normal retirement date prescribed from time to time by the Company, and the termination of employment as a result of a disability (as defined in Section 22(e) (3) of the Code) shall be deemed to be a termination of such Optionee's employment or other relationship other than voluntarily by the Optionee or for Cause.

(c) If an Optionee dies (i) while employed by, or engaged in such other relationship with, the Company or (ii) within three months after the termination of his employment or other relationship other than voluntarily by the Optionee and without the consent of the Company or for Cause, any options granted to such Optionee may be exercised at any time within six months after such Optionee's death, subject to the provisions of subparagraph (d) of this Paragraph 6. After the six month period, the unexercised Options shall expire.

(d) An Option may not be exercised pursuant to this paragraph 6 except to the extent that the Optionee was entitled to exercise the Option at the time of termination of employment or Such other relationship, or death, and in any event may not be exercised after the expiration of the earlier of (i) the term of the option or (ii) ten (10) years from the date the Option was granted, or five (5) years from the date an ISO was granted if the optionee was a Principal

Stockholder at that date.

7. Leave of Absence.

For purposes of the Plan, an individual who is on military or sick leave or other bona fide leave of absence (such temporary employment by the United States or any state government) shall be considered as remaining in the employ of the Company for 90 days or such longer period as shall be determined by the Board of Directors.

8. Option Adjustments.

(a) The aggregate number and class of shares as to which Options may be granted under the Plan, the number and class shares covered by each outstanding Option and the exercise price per share thereof (but not the total price), and all such Options, shall each be proportionately adjusted for any increase or decrease in the number of issued Common Shares resulting from split-up spin-off or consolidation of shares or any like Capital adjustment or the payment of any stock dividend.

(b) Except as provided in subparagraph (c) of this Paragraph 8, upon a merger, consolidation, acquisition of property or stock, separation, reorganization (other than a merger or reorganization of the Company in which the holders of Common Shares immediately prior to the merger or reorganization have the same proportionate ownership of Common Shares in the surviving corporation immediately after the merger or reorganization) or liquidation of the Company, as a result of which the stockholders of the Company receive cash, stock or other property in exchange for their Common Shares, any Option granted hereunder shall terminate, but, provided that

4

the Optionee shall have the right immediately prior to any such merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation to exercise his Option in whole or in part whether or not the vesting requirements set forth in the stock option agreement have been satisfied.

(c) If the stockholders of the Company receive capital stock of another corporation ("Exchange Stock") in exchange for their Common Shares in any transaction involving a merger, consolidation, acquisition of property or stock, separation or reorganization (other than a merger or reorganization of the Company in which the holders of Common Shares immediately prior to the merger or reorganization have the same proportionate ownership of Common Shares in the surviving corporation immediately after the merger or reorganization), all options granted hereunder shall terminate in accordance with the provision of subparagraph (b) of this Paragraph 8 unless the of Directors and the corporation issuing the Exchange Stock in their sole and arbitrary discretion and subject to any required action by the stockholders of the Company and such corporation, agree that all such Options granted hereunder are converted into options to purchase shares of Exchange Stock. The amount and price of such options shall be determined by adjusting the amount and price of the Options granted hereunder in the same proportion as used for determining the number of shares of Exchange Stock the holders of the Common Shares receive in such merger, consolidation, acquisition of property or stock, separation or reorganization. The vesting schedule set forth in the stock option agreement shall continue to apply to the options granted for the Exchange Stock.

(d) All adjustments pursuant to this Paragraph 8 shall be made by the Board of Directors and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

9. Further Conditions of Exercise.

(a) Unless prior to the exercise of an Option the Common Shares issuable upon such exercise are the subject of a registration statement filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and there is then in effect a prospectus filed as part of such registration statement meeting the Requirements of Section 10(a)(3) of the Securities Act, the notice of exercise with respect to such Option shall be accompanied by a representation or agreement of the individual exercising the Option to the Company to the effect that such shares are being acquired for investment only and not with a view to the resale or distribution thereof, or such other, documentation as may be required by the Company, unless, in the opinion of counsel to the Company, such representation, agreement or documentation is not necessary to comply with the Securities Act.

(b) Anything in the Plan to the contrary notwithstanding, the Company shall not be obligated to issue or sell any Common Shares until they have been listed on each securities exchange on which the Common Shares may then be listed and until and unless, in the opinion of counsel to the Company, the Company may issue such shares pursuant to a qualification or an effective registration statement, or an exemption from registration, under such state and federal laws, rules or regulations as such counsel may deem applicable. The Company shall use reasonable efforts to effect such listing, qualification and registration, as the case may be.

10. Termination, Modification and Amendment

(a) The Plan (but not Options previously granted under the Plan) shall terminate ten (10) years from the earlier of the date of its adoption by the Board of Directors or the date on which the Plan is approved by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, and no Option shall be granted after termination of the Plan.

(b) The Plan may at any time be terminated and from time to time be modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Delaware.

5

(c) The Board of Directors of the Company may at any time terminate the Plan or from time to time make such modifications or amendments of the Plan as it may deem advisable; provided, however, that the Board of Directors shall not (i) modify or amend the Plan in any way that would disqualify any ISO issued pursuant to the Plan as an Incentive Stock Option or (ii) without approval by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Delaware, increase (except as provided by Paragraph 8) the maximum number of Common Shares as to which Options may be granted under the Plan or change the class of persons eligible to Options under the Plan.

(d) No termination, modification or amendment of the Plan may adversely affect the rights conferred by any Options the consent of the Optionee thereof.

11. Effectiveness of the Plan

The Plan shall become effective upon adoption by the Board of Directors. The Plan shall be subject to approval by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company entitled to vote thereon within one year following adoption of the Plan by the Board of Directors, and all Options granted prior to such approval shall be subject thereto. In the event such approval is withheld, the Plan and all Options which may have been granted thereunder shall become null and void.

12. Not a Contract of Employment

Nothing contained in the Plan or in any stock option agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ of, or in another relationship with, the relationship with, the Company.

13. Miscellaneous

(a) Nothing contained in the Plan or in any stock option agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ of, or other relationship with, the Company.

(b) If an Option has been granted under the Plan, additional Options may be granted from time to time to the Optionee, and Options may be granted from time to time to one or more individuals who have not previously been granted options.

(c) Nothing contained in the Plan shall be construed to limit the right of the Company to grant options otherwise than under the Plan in connection with the acquisition of the business and assets of any corporation, firm, person or association, including options granted to employees thereof who become employees of the Company, nor shall the provisions of the Plan be to limit the right of the Company to grant options otherwise than under the Plan for other proper corporate purposes.

(d) The Company shall have the right to require the Optionee to pay the Company the cash amount of any taxes the Company is required to withhold in connection with the exercise of an Option.

(e) No award under this Plan shall be taken into account in determining an Optionee's compensation for purposes of an employee benefit plan of the Company.

6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of WPCS International Incorporated (the "Company") on Form 10-KSB for the year ended April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Hidalgo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 13, 2003

/s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of WPCS International Incorporated (the "Company") on Form 10-KSB for the year ended April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Heater, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (3) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 13, 2003

/s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer

May 27, 2003

E.J. von Schaumburg 15 Manor Drive Morristown, NJ 07960

Dear E.J.,

As you are aware, the Bonus Share Agreement mutually executed on November 13, 2002 states that if you achieve an Invisinet gross margin of \$375,000 in the one-year period from November 14, 2002 to November 13, 2003, then you will be entitled to receive 75,000 WPCS shares of common stock. The Agreement also states that if you achieve \$450,000 in the one-year period from November 14, 2003 to November 13, 2004, you would receive another 75,000 WPCS shares of common stock. Your efforts indicate that these goals will be accomplished.

However, per our discussion, in order to avoid a significant tax liability for the bonus shares, we have mutually agreed to void the Bonus Share Agreement dated and executed on November 13, 2002 and replace the Bonus Share Agreement with the enclosed stock option plan to purchase 300,000 shares of WPCS common stock at the May 27, 2003 closing price of \$.45 per share. This option agreement is offered to you with no performance parameters required on your behalf.

You will need to place an authorized signature on the Option Agreement, the 2002 Stock Option Plan that identifies all the parameters and this letter. Please return the documents to WPCS for acceptance and countersignature. We will then mail you your copies. If you have any questions, please contact me.

By accepting and signing this letter and the enclosed stock option agreement, you agree to void the Bonus Share Agreement dated on November 13, 2002. I want to thank you for all that you have done thus far to support the success of WPCS. I truly appreciate your contribution to the company's success and hope that we can continue to work together in building shareholder value for WPCS.

IN WITNESS WHEREOF, the parties have executed the understanding contained herein on the date set forth below:

/s/ Andrew Hidalgo

Andrew Hidalgo, Chairman
WPCS International Incorporated

/s/ E.J. von Schaumburg

E.J. von Schaumburg

5/27/03

Date

5/27/03

Date

CERTIFICATE OF DESIGNATION

Andrew Hidalgo certifies that he is the President and Secretary of WPCS International Incorporated, a Delaware corporation (hereinafter referred to as the "Company") and that, pursuant to the Company's Certificate of Incorporation, as amended, and Section 151 of the General Business Corporation Law, the Board of Directors of the Company adopted the following resolutions on November 29, 2002, and that none of the shares of Series C Convertible Preferred Stock referred to in this Certificate of Designation have been issued.

Creation of Series C Convertible Preferred Stock

1. There is hereby created a series of preferred stock consisting of 1,000 shares and designated as the Series C Convertible Preferred Stock ("Preferred Stock"), having the voting powers, preferences, relative, participating, limitations, qualifications, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth below.

Repurchase Provisions.

2. Outstanding Preferred Stock may be repurchased by the Company from holders of shares of Preferred Stock by: (i) delivering notice in writing thereof to such holders prior to the date which is three hundred and sixty-five (365) calendar days following the date on which the Company received payment in full for the Preferred Stock from and issued the Preferred Stock to a particular holder of Preferred Stock (the "Issuance Date"); and (ii) by the payment to such holders of the sum of \$1,200 per share of Preferred Stock so repurchased within three (3) business days of such notice by way of wire transfer, certified cheque of bank draft. The Company may not repurchase any shares of Preferred Stock for which it has received a Conversion Notice (as defined herein).

Conversion Provisions

3. The holders of Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

Conversion

- (a) Right to Convert. Subject to paragraph (k) hereof, from and after the day on which the Company receives payment in full for Preferred Stock from and issues Preferred Stock to a particular holder of Preferred Stock (the "Issuance Date"), all Preferred Stock held by that holder shall be convertible at the option of the holder into such number of shares of common stock of the Company ("Common Stock") as is calculated by the "Conversion Rate" (as hereinafter defined). Subject to adjustment as set forth herein, the Conversion Rate shall be 800 shares of Common Stock for each one share of Preferred Stock.
- (b) Ratchet Provision. In the event that the Company issues any shares of its Common Stock during the seven hundred and thirty (730) calendar days following the Issuance Date in a private placement for cash consideration at a price of less than \$1.25 per share of Common Stock, the conversion rate shall be that number of shares of Common Stock equal to \$1,000 divided by the price per share at which the Company issued Common Stock in the private placement. For greater certainty shares of Common Stock issued in connection with acquisitions or mergers or pursuant to the exercise of options pursuant to the Company's option plan shall not trigger an adjustment to the Conversion Rate.
- (c) No Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock, and in lieu thereof the number of shares of Common Stock to be issued for each share of Preferred Stock converted shall

1

be rounded down to the nearest whole number of shares of Common Stock. Such number of whole shares of Common Stock to be issued upon the conversion of one share of Preferred Stock shall be multiplied by the number of shares of Preferred Stock submitted for conversion pursuant to the Notice of Conversion (defined below) to determine the total number of shares of Common Stock to be issued in connection with any one particular conversions.

- (d) Method of Conversion. In order to convert Preferred Stock into shares of Common Stock, a holder of Preferred Stock shall
 - (A) complete, execute and deliver to the Company the conversion certificate attached hereto as Exhibit A (the "Notice of Conversion"), and
 - (B) surrender the certificate or certificates representing the Preferred Stock being converted (the "Converted Certificate") to the Company.

Subject to paragraph 2(h) hereof, the Notice of Conversion shall be effective and in full force and effect for a particular date if delivered to the Company prior to 5:00 pm, eastern standard time, by facsimile transmission or otherwise, provided that particular date is a business day, and provided that the original Notice of Conversion and the Converted Certificate are delivered to and received by the Company within three (3) business days thereafter and that particular date shall be referred to herein as the "Conversion Date". The person or persons entitled to receive the shares of Common Stock to be issued upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of the Conversion Date. If the original Notice of Conversion and the Converted Certificate are not delivered to and received by the Company within three (3) business days following the Conversion Date, the Notice of Conversion shall become null and void as if it were never given and the Company shall, within two (2) business days thereafter, return to the holder by overnight courier any Converted Certificate that may have been submitted in connection with any such conversion. In the event that any Converted Certificate submitted represents a number of shares of Preferred Stock that is greater than the number of such shares that is being converted pursuant to the Notice of Conversion delivered in connection therewith, the Company shall deliver a certificate representing the remaining number of shares of Preferred Stock not converted.

- (e) Absolute Obligation to issue Common Stock. Upon receipt of a Notice of Conversion, the Company shall absolutely and unconditionally be obligated to cause a certificate or certificates representing the number of shares of Common Stock to which a converting holder of Preferred Stock shall be entitled as provided herein, which shares shall constitute fully paid and non-assessable shares of Common Stock and shall be issued to, delivered by overnight courier to, and received by such holder by the sixth (6th) business day following the Conversion Date. Such delivery shall be made at such address as such holder may designate therefor in its Notice of Conversion or in its written instructions submitted together therewith.
- (f) Minimum Conversion. No less than 10 shares of Preferred Stock may be converted at any one time by a particular holder, unless the holder then holds less than 10 shares and converts all such shares held by it at that time.

Adjustments to Conversion Rate

- (g) Reclassification, Exchange and Substitution. If the Common Stock to be issued on conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification, reverse stock split or forward stock split or stock

2

dividend or otherwise (other than a subdivision or combination of shares provided for above), the holders of the Preferred Stock shall, upon its conversion be entitled to receive, in lieu of the Common Stock which the holders would have become entitled to receive but for such change, a number of shares of such other class or classes of stock that would have been subject to receipt by the holders if they had exercised their rights of conversion of the Preferred Stock immediately before that changes.

- (h) Reorganizations, Mergers, Consolidations or Sale of Assets. If at any time there shall be a capital reorganization of the Company's common stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 3) or merger of the Company into another corporation, or the sale of the Company's properties and assets as, or substantially as, an entirety to any other person, then, as a part of such reorganization, merger or sale, lawful provision shall be made so that the holders of the Preferred Stock receive the number of shares of stock or other securities or property of the Company, or of the successor corporation resulting from such merger, to which holders of the Common Stock deliverable upon conversion of the Preferred Stock would have been entitled on such capital reorganization, merger or sale if the Preferred Stock had been converted immediately before that capital reorganization, merger or sale to the end that the provisions of this paragraph (including adjustment of the Conversion Rate then in effect and the number of shares purchasable upon conversion of the Preferred Stock) shall be

applicable after that event as nearly equivalently as may be practicable.

- (i) No Impairment. The Company will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, merger, dissolution, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Preferred Stock against impairment.
- (j) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate for any shares of Preferred Stock pursuant to paragraphs 2(g) or (h) hereof, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock effected thereby a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth: (i) such adjustments and readjustments; (ii) the Conversion Rate at the time in effect; and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such holder's shares of Preferred Stock;
- (k) Limitation on Conversion. Notwithstanding anything to the contrary set forth herein the Preferred Stock held by a particular Purchaser shall not convert if, upon giving effect to such conversion, the aggregate number of shares of Common Stock beneficially owned by that Purchaser and its affiliates exceed 4.99% of the outstanding shares of the Common Stock following such conversion; and
- (l) Deemed Conversion. Notwithstanding any other provisions herein, all of the Preferred Stock outstanding on the date which is seven hundred and thirty (730)

3

calendar days from the issuance date shall be deemed to convert into Common Stock as is calculated by the Conversion Rate.

Liquidation Provisions

4. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of Preferred Stock shall be entitled to receive an amount equal to \$1,000 per share, plus any accrued and unpaid dividends. After the full preferential liquidation amount has been paid to, or determined and set apart for the Preferred Stock and all other series of preferred stock hereafter authorized and issued, if any, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably to the holders of the Common Stock. In the event the assets of the Company available for distribution to its shareholders are insufficient to pay the full preferential liquidation amount per share required to be paid to the holders of Company's Preferred Stock, the entire amount of assets of the Company available for distribution to shareholders shall be paid up to their respective full liquidation amounts first to the holders of Series B Convertible Preferred Stock, then to the holders of Preferred Stock, then to any other series of preferred stock hereafter authorized and issued, all of which amounts shall be distributed ratably among holders of each such series of preferred stock, and the Common Stock shall receive nothing. A reorganization or any other consolidation or merger of the Company with or into any other corporation, or any other sale of all or substantially all of the assets of the Company, shall not be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 4, and the Preferred Stock shall be entitled only to: (i) the rights provided in any agreement or plan governing the reorganization or other consolidation, merger or sale of assets transaction; (ii) the rights contained in the Delaware General Business Corporation Law; and (iii) the rights contained in other Sections hereof.

Dividend Provisions

5. The holders of shares of Preferred Stock shall not be entitled to receive any dividends. Reservation of Stock to be issued upon Conversion

6. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Preferred Stock such number of its

shares of Common Stock as shall from time to time be sufficient, based on the Conversion Rate then in effect, to effect the conversion of all then outstanding shares of the Preferred Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, then, in addition to all rights, claims and damages to which the holders of the Preferred Stock shall be entitled to receive at law or in equity as a result of such failure by the Company to fulfill its obligations to the holders hereunder, the Company will take any and all corporate or other action as may, in the opinion of its counsel, be helpful, appropriate or necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

Notices

7. In the event of the establishment by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any distribution, the Company shall mail to each holder of Preferred Stock at least twenty (20) days prior to the date specified therein a notice specifying the date on which any such record is to be taken for the purpose of such distribution and the amount and character of such distribution.

8. Any notices required by the provisions hereof to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid and return receipt requested, and addressed to each holder of record at its address appearing on the books of the Company or to such other address of such holder or its representative as such holder may direct.

4

Voting Provisions

9. Except as otherwise expressly provided or required by law, the Preferred Stock shall have no voting rights.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation of Series C Convertible Preferred Stock to be duly executed by its President and attested to by its Secretary this 29th day of November, 2002, who, by signing their names hereto, acknowledge that this Certificate of Designation is the act of the Company and state to the best of their knowledge, information and belief, under the penalties of perjury, that the above matters and facts are true in all material respects.

WPCS INTERNATIONAL INCORPORATED

Andrew Hidalgo,
President and Secretary

5

EXHIBIT A

CONVERSION CERTIFICATE
WPCS INTERNATIONAL INCORPORATED
Series C Convertible Preferred Stock

The undersigned holder (the "Holder") is surrendering to WPCS International Incorporated, a Delaware corporation (the "Company"), one or more certificates representing shares of Series C Convertible Preferred Stock of the Company (the "Preferred Stock") in connection with the conversion of all or a portion of the Preferred Stock into shares of Common Stock, \$0.01 par value per share, of the Company (the "Common Stock") as set forth below.

1. The Holder understands that the Preferred Stock was issued by the Company pursuant to the exemption for registration under the United States Securities Act of 1933, as amended (the "Securities Act"), provided by Regulation S promulgated thereunder.

2. The Holder acknowledges that the Certificate(s) representing the Common Stock may be legended with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("STATE ACT") AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF FOR A PERIOD OF ONE (1) YEAR AFTER THE DATE ON THE FACE HEREOF, AND THEREAFTER MAY NOT BE TRANSFERRED TO A CITIZEN OR RESIDENT OF THE UNITED STATES OF AMERICA, INCLUDING THE ESTATE OF ANY SUCH PERSON, A TRUST OF WHICH ANY SUCH PERSON IS A BENEFICIARY, OR A CORPORATION, PARTNERSHIP, TRUST OR OTHER ENTITY, ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS AND ALL AREAS UNDER THE JURISDICTION OF THE UNITED STATES OF AMERICA, IN THE ABSENCE OF COMPLIANCE WITH REGULATION S UNDER THE ACT, A REGISTRATION

STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN
OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL IN FORM AND
SUBSTANCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH
REGISTRATION IS NOT REQUIRED.

3. The Holder represents and warrants that all offers and sales of the
Common Stock issued to the Holder upon such conversion of the Preferred Stock
shall be made (a) pursuant to an effective registration statement under the
Securities Act, (in which case the Holder represents that a prospectus has been
delivered) (b) in compliance with Rule 144, or (c) pursuant to some other
exemption from registration.

Number of Shares of Preferred Stock being Converted:

Applicable Conversion Rate:

OR

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the _____ day of November, 2002 (the "Effective Date").

BETWEEN:

INVISINET, INC., a body corporate formed pursuant to the laws of the State of Delaware and having an office for business located at 140 South Village Avenue, Suite 20, Exton, Pennsylvania 19341 ("Invisinet") AND:

E.J. VON SCHAUMBURG, an individual having an address at 15 Manor Drive, Morristown, NJ 07960

("von Schaumburg")

WHEREAS:

A. Invisinet was formed on July 10, 2000;

B. von Schaumburg has acted as President and Treasurer of Invisinet since July 10, 2000; and

C. von Schaumburg and Invisinet are parties to that certain Agreement and Plan of Merger, made as of November __, 2002 (the "Merger Agreement"), pursuant to which von Schaumburg has agreed to continue to serve as President and Treasurer of Invisinet, and Invisinet has agreed to hire von Schaumburg as such, pursuant to the terms and conditions of this Employment Agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and the mutual covenants, agreements, representations and warranties contained herein, the Merger Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, von Schaumburg and Invisinet hereby agree as follows:

ARTICLE 1
EMPLOYMENT

Invisinet hereby affirms, renews and extends the employment of von Schaumburg as Invisinet's President and Treasurer, and von Schaumburg hereby affirms, renews and accepts such employment by Invisinet, for the "Term" (as defined in Article 3 below), upon the terms and conditions set forth herein.

ARTICLE 2
DUTIES

During the Term, von Schaumburg shall serve Invisinet faithfully, diligently and to the best of his ability, under the direction of the Board of Directors of Invisinet and shall use his best efforts to promote the interests and goodwill of Invisinet and any affiliates, successors, assigns, parent

corporations, subsidiaries, and/or future purchasers of Invisinet. von Schaumburg shall render such services during the Term at Invisinet's principal place of business or at such other place of business as may be determined by the Board of Directors of Invisinet, as Invisinet may from time to time reasonably require of him, and shall devote all of his business time to the performance thereof. von Schaumburg shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the Board of Directors. The precise services and duties which von Schaumburg is obligated to perform hereunder may from time to time be changed, amended, extended or curtailed by the Board of Directors of Invisinet.

ARTICLE 3
TERM

The "Term" of this Agreement shall commence on the Effective Date and continue thereafter for a term of two (2) years, as may be extended or earlier terminated pursuant to the terms and conditions of this Agreement. The Term of this Agreement shall automatically renew for successive three (3) month periods unless, within thirty (30) days of the expiration of the then existing Term, either Invisinet or von Schaumburg provides written notice to the other that it elects not to renew the Term. Upon delivery of such notice, this Agreement shall continue until expiration of the Term, whereupon this Agreement shall terminate and neither party shall have any further obligation thereafter arising under this Agreement, except as explicitly set forth herein to the contrary.

ARTICLE 4
COMPENSATION

Salary

4.1 Invisinet shall pay to von Schaumburg an annual salary (the "Salary") of One Hundred Twenty Thousand Dollars (\$120,000.00), payable in equal installments at the end of such regular payroll accounting periods as are established by Invisinet, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Invisinet's usual payroll procedures, but no less frequently than monthly.

Benefits

4.2 During the Term, von Schaumburg shall be entitled to participate in all medical and other employee benefit plans, including vacation, sick leave, retirement accounts and other employee benefits provided by Invisinet to similarly situated employees on terms and conditions no less favorable than those offered to such employees. Such participation shall be subject to the terms of the applicable plan documents, Invisinet's generally applicable policies, and the discretion of the Board of Directors or any administrative or other committee provided for in, or contemplated by, such plan.

Expense Reimbursement

4.3 Invisinet shall reimburse von Schaumburg for reasonable and necessary expenses incurred by him on behalf of Invisinet in the performance of his duties hereunder during the Term, including, without limitation, reimbursement for automobile and cellular telephone expenses in accordance with Invisinet's then customary policies, provided that such expenses are adequately documented.

2

Commission/Draw

4.4 In addition to the Salary, von Schaumburg shall be paid a non-recoverable annual draw (the "Draw") of Fifty-One Thousand Dollars (\$51,000), payable in equal installments at the end of such regular payroll accounting periods as are established by Invisinet, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Invisinet's usual payroll procedures. von Schaumburg shall be entitled to a commission (the "Commission") equal to 15% of the Gross Profit (as defined below), less any and all payments made on account of the Draw, for each fiscal year ending on the first anniversary date of this Agreement (each such year being a "Commission Period"). Invisinet shall pay the Commission, if any, to von Schaumburg no later than 90 days following the end of each Commission Period. For greater certainty, in the event that the Commission is less than the amount of the Draw, the Draw shall be non-refundable.

Gross Profit

4.6 Within 90 days of the end of each Commission Period, Invisinet shall calculate its Gross Profit for the Commission Period using the following meanings each determined in accordance with generally accepted accounting principles in the United States:

- (a) "Direct Costs" means the aggregate of the direct costs (but no other costs) of materials and labor allocable to any and all products the sale of which constitute Gross Sales, and which shall include shipping charges, handling charges, applicable sales taxes and surcharges;
- (b) "Gross Sales" means the gross revenue from the sale by Invisinet of any and all products; and
- (c) "Gross Profit" means, in respect of any Commission Period, the dollar amount by which the aggregate of Gross Sales exceeds Direct Costs, expressed as a dollar amount.

Report

2.2 Invisinet shall instruct its auditor to calculate Direct Costs, Gross Sales, and Gross Profit for each Commission Period, and to deliver a report thereon (an "Auditor's Sales Report") within 90 days following the end of each Commission Period.

Reviews

2.3 Invisinet shall provide a copy of each Auditor's Sales Report to von Schaumburg promptly upon receipt thereof. von Schaumburg shall have the right to review and independently verify the conclusions of any Auditor's Sales Report by delivering notice in writing to Invisinet within 30 days after receipt of any such Auditor's Sales Report indicating that von Schaumburg wishes to exercise his right of review and verification. Within 10 business days after receipt of any such notice, Invisinet shall make available to von Schaumburg and his representatives, at reasonable times during normal business hours, the books and records of Invisinet which are reasonably necessary to conduct such review and verification. von Schaumburg shall cause such review to be conducted and concluded as quickly as reasonably practicable and in such a manner so as not to unreasonably interfere with the business and operations of

Invisinet. Any representatives conducting such review shall, prior to being given access to such books and records, be required to enter into confidentiality and non-disclosure agreements with Invisinet on terms and conditions satisfactory to Invisinet, acting reasonably. The costs of any such review shall be borne by von Schaumburg unless the review indicates a

3

discrepancy between the Gross Profit figure contained in the Auditor's Sales Report and the figure, if any, agreed to by Invisinet and von Schaumburg following such review of greater than 10%. If von Schaumburg and Invisinet shall be unable to resolve any dispute respecting any determination contained in any Auditor's Sales Report, then any disputed matters ("Disputed Items") shall, within 20 days after notice is delivered by von Schaumburg to Invisinet that there exist Disputed Items, be submitted to arbitration as set forth below.

Arbitration

2.4 An independent chartered accountant chosen by Invisinet (hereinafter referred to as "Invisinet's Accountant") and an independent chartered accountant chosen by von Schaumburg (herein after referred to as "von Schaumburg's Accountant") shall together within 20 days, appoint a representative from an accounting firm recognized in the State of Pennsylvania (other than Invisinet's Accountant or von Schaumburg's Accountant) to arbitrate the dispute (hereinafter referred to as the "Arbitrator"). The parties shall, within 20 days after the appointment of the Arbitrator, present their position with respect to the Disputed Items to the Arbitrator together with such other materials as the Arbitrator deems appropriate. The Arbitrator shall within 20 days after the submission of such evidence, submit its written decision on each Disputed Item to the parties. Any determination by the Arbitrator with respect to any Disputed Item shall be final and binding on such parties. The Arbitrator shall comply, and the arbitration shall be conducted in accordance with, the Commercial Arbitration Rules of American Arbitration Association then in force. If the Arbitrator determines that the Auditor's Sale Report was correct so that the Gross Profits presented therein were equal to or greater than the actual Gross Profits, or less than the actual Gross Profits by a less than 10% variance, the costs of any such arbitration shall be borne by von Schaumburg. If the Arbitrator determines that the Auditor's Sales Report was incorrect so that the Gross Profits presented therein were less than the actual Gross Profits by more than 10%, the costs of any such arbitration shall be borne by Invisinet.

No Further Salary

4.5 There will be no cost-of-living increase or merit increase in the Salary, the Draw or the Commission unless agreed to by the Board of Directors of Invisinet. No decrease will be made, in any event, to the Salary or the Draw.

ARTICLE 5 OTHER EMPLOYMENT

von Schaumburg shall devote substantially all of his business and professional time and effort, attention, knowledge, and skill to the management, supervision and direction of Invisinet's business and affairs as von Schaumburg's highest professional priority. Invisinet shall be entitled to all benefits, profits or other issues arising from or incidental to all work, services and advice performed or provided by von Schaumburg. von Schaumburg shall not, during the term hereof, be interested directly or indirectly, in any manner, as partner, officer, director, stockholder, advisor, employee or in any other capacity in any other business except such investments as are specifically enumerated in Schedule "A" hereto; provided, however, that nothing herein contained shall prevent or limit the right of von Schaumburg to invest any of his surplus funds in the capital stock or other securities of any corporation, company or limited partnership whose products or activities are unrelated to the Invisinet's primary business or any substantially similar product or process, or whose stock or securities are publicly owned or are regularly traded on any public exchange; nor shall anything herein contained prevent von Schaumburg from investing or limit von Schaumburg's right to invest his surplus funds in real estate; nor shall anything herein contained prevent von Schaumburg from serving in a volunteer capacity as officer, director, or

4

advisor for professional organizations with which he is affiliated, provided that such service does not impede or hinder the performance of von Schaumburg's duties hereunder. von Schaumburg hereby represents and warrants to and in favor of Invisinet that he is not any contractual obligation to any other company, entity or individual that would prohibit or impede von Schaumburg from performing his duties and responsibilities under this Agreement.

ARTICLE 6 CONFIDENTIAL INFORMATION/ INVENTIONS

6.1 von Schaumburg shall not, in any manner, for any reasons, either directly or indirectly, divulge or communicate to any person, firm or corporation, any confidential information concerning any matters not generally known in the wireless communications industry or otherwise made public by Invisinet which affects or relates to Invisinet's business, finances, marketing and/ or operations, research, development, inventions, products, designs, plans, procedures, or other data (collectively, "Confidential Information") except in the ordinary course of business or as required by applicable law. Without regard to whether any item of Confidential Information is deemed or considered confidential, material, or important, the parties hereto stipulate that as between them, to the extent such item is not generally known in the wireless communications industry, such item is important, material, and confidential and affects the successful conduct of Invisinet's business and good will, and that any breach of the terms of this Section 6.1 shall be a material and incurable breach of this Agreement. Confidential Information shall not include: (i) information obtained or which became known to von Schaumburg other than through his employment by Invisinet; and (ii) information in the public domain at the time of the disclosure of such information by von Schaumburg.

Documents

6.2 von Schaumburg further agrees that all documents and materials furnished to von Schaumburg by Invisinet and relating to the Invisinet's business or prospective business are and shall remain the exclusive property of Invisinet. von Schaumburg shall deliver all such documents and materials, uncopied, to Invisinet upon demand therefor and in any event upon expiration or earlier termination of this Agreement. Any payment of sums due and owing to von Schaumburg by Invisinet upon such expiration or earlier termination shall be conditioned upon returning all such documents and materials, and von Schaumburg expressly authorizes Invisinet to withhold any payments due and owing pending return of such documents and materials. Inventions

6.3 All ideas, inventions, and other developments or improvements conceived or reduced to practice by von Schaumburg, alone or with others, during the term of this Agreement, whether or not during working hours, that are within the scope of the business of Invisinet or that relate to or result from any of Invisinet's work or projects or the services provided by von Schaumburg to Invisinet pursuant to this Agreement, shall be the exclusive property of Invisinet. Von Schaumburg agrees to assist Invisinet, at Invisinet's expense, to obtain patents and copyrights on any such ideas, inventions, writings, and other developments, and agrees to execute all documents necessary to obtain such patents and copyrights in the name of Invisinet.

Disclosure

6.4 During the Term, von Schaumburg will promptly disclose to the Board of Directors of Invisinet full information concerning any interest, direct or indirect, of von Schaumburg (as

5

owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his immediate family in any business that is reasonably known to von Schaumburg to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Invisinet or to any of its suppliers or customers.

ARTICLE 7 COVENANT NOT TO COMPETE

Except as expressly permitted in Article 5 above, during the term of this Agreement, von Schaumburg shall not engage in any of the following competitive activities: (a) engaging directly or indirectly in any business or activity substantially similar to any business or activity engaged in (or proposed to be engaged in) by Invisinet; (b) engaging directly or indirectly in any business or activity competitive with the any business or activity engaged in (or proposed to be engaged in) by Invisinet; (c) soliciting or taking away any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor of Invisinet, or attempting to so solicit or take away; (d) interfering with any contractual or other relationship between Invisinet and any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor; or (e) using, for the benefit of any person or entity other than Invisinet, any Confidential Information of Invisinet. The foregoing covenant prohibiting competitive activities shall survive the termination of this Agreement and shall extend, and shall remain enforceable against von Schaumburg, for the period of two (2) years following the date this Agreement is terminated. In addition, during the two-year period following such expiration or earlier termination, neither von Schaumburg nor Invisinet shall not make or permit the making of any negative statement of any kind concerning Invisinet or its affiliates, or their directors, officers or agents or Mr. Von Schaumburg.

ARTICLE 8 SURVIVAL

von Schaumburg agrees that the provisions of Articles 6 and 7 shall survive expiration or earlier termination of this Agreement for any reasons, whether voluntary or involuntary, with or without cause, and shall remain in full force and effect thereafter.

ARTICLE 9
INJUNCTIVE RELIEF

von Schaumburg acknowledges and agrees that the covenants and obligations of von Schaumburg set forth in Articles 6 and 7 with respect to non-competition, non-solicitation, confidentiality and Invisinet's property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause Invisinet irreparable injury for which adequate remedies are not available at law. Therefore, von Schaumburg agrees that Invisinet shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain von Schaumburg from committing any violation of the covenants and obligations referred to in this Article 9. These injunctive remedies are cumulative and in addition to any other rights and remedies Invisinet may have at law or in equity.

6
ARTICLE 10
TERMINATION

Termination by von Schaumburg

10.1 von Schaumburg may terminate this Agreement without cause at any time and for any reason upon thirty (30) days written notice to Invisinet. von Schaumburg may immediately terminate this Agreement for Good Reason at any time by written notice to Invisinet.

Good Reason

10.2 In this Agreement, "Good Reason" means, without von Schaumburg's prior written consent, the occurrence of any of the following events, unless Invisinet shall have fully cured all grounds for such termination within thirty (30) days after von Schaumburg gives notice thereof

- (i) any reduction in his then-current Draw or Salary;
- (ii) any material failure to timely grant, or timely honor, any equity or long-term incentive award;
- (iii) failure to pay or provide required compensation and benefits;
- (iv) any failure to appoint, elect or reelect him to the position of President of Invisinet; the removal of him from any such position; or any changes in the reporting structure so that von Schaumburg reports to someone other than the board or Mr. Andy Hidalgo;
- (v) any diminution in his title or duties or the assignment to him of duties that materially impair his ability to perform his duties;
- (vi) any relocation of von Schaumburg's office as assigned to him by Invisinet, to a location more than 25 miles from 15 Manor Drive, Morristown, New Jersey 07960, it being acknowledged by von Schaumburg that immediately following the closing of the Merger Agreement Invisinet's principal office will be relocated to Exton, PA;
- viii) the failure of Invisinet to obtain the assumption in writing of its obligation to perform the Employment Agreement by any successor to all or substantially all of the assets of Invisinet upon a merger, consolidation, sale or similar transaction; or
- (ix) the voluntary or involuntary dissolution of Invisinet.

The written notice given hereunder by von Schaumburg to Invisinet shall specify in reasonable detail the cause for termination, and such termination notice shall not be effective until thirty (30) days after Invisinet's receipt of such notice, during which time Invisinet shall have the right to respond to von Schaumburg's notice and cure the breach or other event giving rise to the termination.

Termination by Invisinet

10.3 Invisinet may terminate its employment of von Schaumburg under this Agreement without cause at any time and for any reason upon thirty (30) days notice to von Schaumburg. Invisinet may terminate its employment of von Schaumburg under this Agreement for cause at any time by written notice to von Schaumburg. For purposes of this Agreement, the term "cause"

for termination by Invisinet shall be (a) a conviction of or plea of guilty or nolo contendere by von Schaumburg to a felony; (b) the consistent refusal by von Schaumburg to perform his material duties and obligations hereunder; (c) von Schaumburg's willful and intentional misconduct in the performance of his material duties and obligations; or (d) if von Schaumburg or any member of his family makes any personal profit arising out of or in connection with a transaction to which Invisinet is a party or with which it is associated without making disclosure to and obtaining the prior written consent of Invisinet. The written notice given hereunder by Invisinet to von Schaumburg shall specify in reasonable detail the cause for termination. In the case of a termination for the causes described in (a) and (d) above, such termination shall be effective upon receipt of the written notice. In the case of the causes described in (b) and (c) above, such termination notice shall not be effective until thirty (30) days after von Schaumburg's receipt of such notice, during which time von Schaumburg shall have the right to respond to Invisinet's notice and cure the breach or other event giving rise to the termination.

Severance

10.4 Upon a termination of this Agreement without Good Reason by von Schaumburg or with cause by Invisinet, Invisinet shall immediately pay to von Schaumburg all accrued and unpaid compensation as of the date of such termination, subject to the provision of Section 6.2. Upon a termination of this Agreement with Good Reason by von Schaumburg or without cause by Invisinet, Invisinet shall immediately pay to von Schaumburg all accrued and unpaid compensation as of the date of such termination and the "Severance Payment." The "Severance Payment" shall equal the total amount of the Salary payable to von Schaumburg under Section 4.1 of this Agreement from the date of such termination until the end of the Term of this Agreement (prorated for any partial month), but in no event shall the Severance Payment exceed six months' Salary payable under Section 4.1 hereof.

Termination Upon Death

10.5 If von Schaumburg dies during the term of this Agreement, this Agreement shall terminate, except that von Schaumburg's legal representatives shall be entitled to receive any earned but unpaid compensation due hereunder.

Termination Upon Disability

10.6 If, during the term of this Agreement, von Schaumburg suffers and continues to suffer from a "Disability" (as defined below), then Invisinet may terminate this Agreement by delivering to von Schaumburg thirty (30) calendar days' prior written notice of termination based on such Disability, setting forth with specificity the nature of such Disability and the determination of Disability by Invisinet. For the purposes of this Agreement, "Disability" means von Schaumburg's inability, with reasonable accommodation, to substantially perform von Schaumburg's duties, services and obligations under this Agreement due to physical or mental illness or other disability for a continuous, uninterrupted period of sixty (60) calendar days.

ARTICLE 11 PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

Except as otherwise provided herein, von Schaumburg's employment shall be subject to the personnel policies and benefit plans which apply generally to Invisinet's employees as the same may be interpreted, adopted, revised or deleted from time to time, during the term of this Agreement, by Invisinet in its sole discretion. During the term hereof, von Schaumburg shall be entitled to vacation during each year of the Term at the rate of two (2) weeks per year beginning on the Effective Date; provided that no vacation shall accrue from year to year during the term.

von Schaumburg shall take such vacation at a time approved in advance by the Board of Directors of Invisinet, which approval will not be unreasonably withheld but will take into account the staffing requirements of Invisinet and the need for the timely performance of von Schaumburg's responsibilities.

ARTICLE 12 BENEFICIARIES OF AGREEMENT

This Agreement shall inure to the benefit of Invisinet and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or purchasers of Invisinet as they now or shall exist while this Agreement is in effect.

ARTICLE 13 GENERAL PROVISIONS

No Waiver

13.1 No failure by either party to declare a default based on any breach by the other party of any obligation under this Agreement, nor failure of such party to act quickly with regard thereto, shall be considered to be a waiver of any such obligation, or of any future breach.

Modification

13.2 No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the parties to be charged therewith.

Choice of Law/Jurisdiction

13.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflict-of-laws principles. Invisinet and von Schaumburg hereby consent to personal jurisdiction before all courts in the State of Delaware, and hereby acknowledge and agree that Delaware is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

13.4 This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and there are no inducements, promises, terms, conditions, or obligations made or entered into by Invisinet or von Schaumburg other than contained herein.

13.5 All agreements and covenants contained herein are severable, and in the event any of them, with the exception of those contained in Articles 1 and 4 hereof, shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

9

Headings

13.6 The headings contained herein are for the convenience of reference and are not to be used in interpreting this Agreement.

Independent Legal Advice

13.7 Invisinet has obtained legal advice concerning this Agreement and has requested the von Schaumburg obtain independent legal advice with respect to same before executing this Agreement. von Schaumburg, in executing this Agreement, represents and warranties to Invisinet that he has been so advised to obtain independent legal advice, and that prior to the execution of this Agreement he has so obtained independent legal advice, or has, in his discretion, knowingly and willingly elected not to do so.

No Assignment

13.8 von Schaumburg may not assign, pledge or encumber his interest in this Agreement nor assign any of his rights or duties under this Agreement without the prior written consent of Invisinet.

[Remainder of page intentionally left blank.]

10

IN WITNESS WHEREOF the parties have executed this Agreement effective as of the day and year first above written.

INVISINET, INC.

Witness

By:
Andy Hidalgo, Director

Name

Address

Witness

E.J. VON SCHAUMBURG

Name

Address

This is page 11 to the Employment Agreement dated November _____, 2002 between Invisinet, Inc. and E.J. von Schaumburg.

11

Schedule "A" Investments by von Schaumburg This is Schedule "A" to the Employment Agreement dated November _____, 2002 between Invisinet, Inc. and E.J. von Schaumburg.

CODE OF ETHICS AND BUSINESS CONDUCT FOR OFFICERS, DIRECTORS
AND EMPLOYEES OF
WPCS INTERNATIONAL INCORPORATED

1. TREAT IN AN ETHICAL MANNER THOSE TO WHOM WE HAVE AN OBLIGATION

We are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due everyone.

For the communities in which we live and work we are committed to observe sound environmental business practices and to act as concerned and responsible neighbors, reflecting all aspects of good citizenship.

For our shareholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources.

For our suppliers and partners we are committed to fair competition and the sense of responsibility required of a good customer and teammate.

2. PROMOTE A POSITIVE WORK ENVIRONMENT

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and will not tolerate harassment or discrimination of any kind -- especially involving race, color, religion, gender, age, national origin, disability, and veteran or marital status.

Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

3. PROTECT YOURSELF, YOUR FELLOW EMPLOYEES, AND THE WORLD WE LIVE IN

We are committed to providing a drug-free, safe and healthy work environment, and to observing environmentally sound business practices. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health and safety laws and regulations.

4. KEEP ACCURATE AND COMPLETE RECORDS

We must maintain accurate and complete Company records. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in our books in accordance with generally accepted accounting practices and principles. No one should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

5. OBEY THE LAW

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

A. STRICTLY ADHERE TO ALL ANTITRUST LAWS

Officer, directors and employees must strictly adhere to all antitrust laws. Such laws exist in the United States and in many other countries where the Company may conduct business. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.

B. STRICTLY COMPLY WITH ALL SECURITIES LAWS

In our role as a publicly owned company, we must always be alert to and comply with the security laws and regulations of the United States and other countries.

C. DO NOT ENGAGE IN SPECULATIVE OR INSIDER TRADING

Federal law and Company policy prohibits officers, directors and employees, directly or indirectly through their families or others, from purchasing or selling company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public

information. To avoid even the appearance of impropriety, Company policy also prohibits officers, directors and employees from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If an officer, director or employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the officer, director or employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, officers, directors and employees should always carefully consider how their trades would look from this perspective.

2

Two simple rules can help protect you in this area: (1) Don't use non-public information for personal gain. (2) Don't pass along such information to someone else who has no need to know.

This guidance also applies to the securities of other companies for which you receive information in the course of your employment.

D. BE TIMELY AND ACCURATE IN ALL PUBLIC REPORTS

As a public company, we must be fair and accurate in all reports filed with the United States Securities and Exchange Commission. Our officers, directors and management are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company.

Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against individual employees including substantial fines and prison sentences.

The Chief Executive Officer and Chief Financial Officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and Directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

6. AVOID CONFLICTS OF INTEREST

Our officers, directors and employees have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the company. Officers, directors and employees should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

HERE ARE SOME WAYS A CONFLICT OF INTEREST COULD ARISE:

- - Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by us.
- - Acceptance of gifts, payment, or services from those seeking to do business with us.
- - Placement of business with a firm owned or controlled by an officer, director or employee or his/her family.
- - Ownership of, or substantial interest in, a company that is a competitor, client or supplier.

3

- - Acting as a consultant to one of our customers, clients or suppliers.
- - Seeking the services or advice of an accountant or attorney who has provided services to us.

Officers, directors and employees are under a continuing obligation to disclose any situation that presents the possibility of a conflict or disparity of interest between the officer, director or employee and the Company. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

7. COMPETE ETHICALLY AND FAIRLY FOR BUSINESS OPPORTUNITIES

We must comply with the laws and regulations that pertain to the acquisition of goods and services. We will compete fairly and ethically for all business opportunities. In circumstances where there is reason to believe that the release or receipt of non-public information is unauthorized, do not attempt to

obtain and do not accept such information from any source.

If you are involved in Company transactions, you must be certain that all statements, communications, and representations are accurate and truthful.

8. AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS

The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Our officers, directors and employees will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company's reputation.

9. MAINTAIN THE INTEGRITY OF CONSULTANTS, AGENTS, AND REPRESENTATIVES

Business integrity is a key standard for the selection and retention of those who represent us. Agents, representatives and consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

10. PROTECT PROPRIETARY INFORMATION

Proprietary Company information may not be disclosed to anyone without proper authorization. Keep proprietary documents protected and secure. In the course of normal

4

business activities, suppliers, customers and competitors may sometimes divulge to you information that is proprietary to their business. Respect these confidences.

11. OBTAIN AND USE COMPANY ASSETS WISELY

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission.

12. FOLLOW THE LAW AND USE COMMON SENSE IN POLITICAL CONTRIBUTIONS AND ACTIVITIES

We encourage our employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. In the United States, federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices -- this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions.

13. BOARD COMMITTEES.

The Company shall establish an Audit Committee empowered to enforce this Code of Ethics. The Audit Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company's Code of Ethics, the Company's controls and reporting procedures and the Company's business conduct.

14. DISCIPLINARY MEASURES.

The Company shall consistently enforce its Code of Ethics and Business Conduct through appropriate means of discipline. Violations of the Code shall be promptly reported to the Audit Committee. Pursuant to procedures adopted by it, the Audit Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Audit Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material

information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.