

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest reported): August 22, 2003

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

Delaware (State or other jurisdiction of incorporation)	0-26277 (Commission File Number)	98-0204758 (IRS Employer Identification No.)
---	--	--

140 South Village Avenue, Suite 20, Exton, Pennsylvania (Address of principal executive offices)	19341 (Zip Code)
---	---------------------

Registrant's telephone number, including area code (610) 903-0400

ITEM 1. ACQUISITION OR DISPOSITION OF ASSETS

Acquisition of Clayborn Contracting Group, Inc.

On August 22, 2003, WPCS International Incorporated, a Delaware corporation (the "Company"), entered into and completed an Agreement and Plan of Merger with Clayborn Contracting Acquisition Corp. a California corporation wholly-owned by the Company (the "Subsidiary"), Clayborn Contracting Group, Inc., a California corporation ("Clayborn"), David G. Gove, as trustee ("D. Gove") and Sharon Gove, as trustee ("S. Gove" and together with D. Gove, the "Clayborn Shareholders"). Pursuant to the terms of the Agreement and Plan of Merger (the "Acquisition"), the Company acquired all of the issued and outstanding shares of capital stock of Clayborn from the Clayborn Shareholders in exchange for \$900,000 cash consideration and 826,446 newly issued shares of the Company's common stock (the "Shares") with a fair value of approximately \$868,000 based on the average value of the Company's common stock a few days before and after the merger terms were agreed to and announced. An additional \$1,100,000 is payable to the Clayborn shareholders of 50% of the post tax profits of Clayborn, payable in quarterly distributions, which would increase the purchase price. As part of the Acquisition, the Company's Board of Directors entered into employment contracts with D. Gove, Charles H. Madenford, and Marilyn Engelking to serve as President, Area Manager, and Controller, respectively, of Clayborn.

Clayborn is a diversified project services firm that operates primarily on the west coast. Clayborn's services extend to both the public and private sector. Clayborn holds A, B and C10 licenses with the Contractors State Licensing Board. As a diverse services engineering company, Clayborn has designed and installed smart highway systems and substations for state and local municipalities in California. In addition, Clayborn has performed structured cabling, underground and utility work. Recently, Clayborn has expanded its services to include wireless SCADA design and deployment for water treatment facilities.

The 826,446 shares of common stock issued in the merger were not registered under the Securities Act of 1933, as amended (the "Act") and were issued in the reliance upon the exemption from registration provided by section 4(2) of the Act, on the basis that the Acquisition is a transaction not involving a public offering. All certificates evidencing the Shares bear a customary form of investment legend and may not be sold, pledged, hypothecated or otherwise transferred unless first registered under the Act or pursuant to an available exemption from such registration requirements.

As part of the Acquisition, the Company caused the Subsidiary and Clayborn to be merged pursuant to an Agreement of Merger filed with the California Secretary of State on August 22, 2003. Clayborn survived the merger and the Company intends to continue to hold the surviving company as a wholly owned subsidiary and to continue its operations.

The amount of consideration paid to the Clayborn Shareholders for Clayborn was determined through arm's-length negotiations between these parties and the Company. Other than as disclosed herein, there are no material relationships between the Clayborn Shareholders and the Company or any of its affiliates, any

directors or officers of the Company, or any associate of such directors or officers.

Following the closing of the merger, the Company had 20,135,690 shares of its common stock issued and outstanding.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of businesses acquired.

1. Audited Financial Statements of Clayborn for the years ended September 30, 2002 and September 30, 2001- Filed herewith.
2. Unaudited Financial Statements of Clayborn for the nine month period ended June 30, 2003 and 2002- Filed herewith.

(b) Proforma Financial Information

Proforma Financial Information- Filed herewith.

(c) Exhibits.

3. Agreement and Plan of Merger by and among WPCS International Incorporated, Clayborn Contracting Acquisition Corp., Clayborn Contracting Group, Inc., David G. Gove and Sharon Gove made as of the 22nd day of August, 2003 (Previously filed).

SIGNATURES

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

WPCS INTERNATIONAL INCORPORATED

Date: October 28, 2003  
-----

/s/ ANDREW HIDALGO  
-----

Andrew Hidalgo  
Chairman, Chief Executive Officer & Director  
CLAYBORN CONTRACTING GROUP, INC.  
INDEX TO FINANCIAL STATEMENTS

<TABLE>	
<CAPTION>	
<S>	<C>
Independent Auditors' Report	F-2
Balance Sheets as of September 30, 2002 and 2001	F-3 to F-4
Statements of Income and Retained Earnings September 30, 2002 and 2001	F-5
Statements of Cash Flows for the years ended September 30, 2002 and 2001	F-6
Notes to Financial Statements	F-7
</TABLE>	

F-1

To the Board of Directors

CLAYBORN CONTRACTING GROUP, INC.  
Auburn, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of CLAYBORN CONTRACTING GROUP, INC. as of September 30, 2002 and 2001, and the related statements of income and retained earnings, cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of CLAYBORN CONTRACTING GROUP, INC. as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

/s/ Burnett + Company LLP

Rancho Cordova, California  
September 15, 2003

F-2

CLAYBORN CONTRACTING GROUP, INC.

BALANCE SHEETS

September 30, 2002 and 2001

<TABLE>

<CAPTION>

ASSETS	2002	2001
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 459,580	\$ 33,702
Cash held in lieu of retentions	19,170	66,209
Contract receivables	678,284	756,901
Costs and estimated earnings in excess of billings	319,726	198,938
Prepaid expenses	48,329	27,536
Prepaid income tax	15,224	30,405
	-----	-----
Total current assets	1,540,313	1,113,691
EQUIPMENT,		
net of accumulated depreciation of \$458,242 and \$331,695, for 2002 and 2001, respectively	368,918	453,905
OTHER ASSETS	55,265	37,150
	-----	-----
Total assets	\$ 1,964,496	\$ 1,604,746
	=====	=====

</TABLE>

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

F-3

<TABLE>

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
	-----	-----
CURRENT LIABILITIES		
<S>	<C>	<C>
Accounts payable	\$ 517,688	\$ 404,997
Accrued expenses	176,036	50,431
Current maturity of long-term debt	47,735	49,890
Billings in excess of costs and estimated earnings	8,092	34,382
Income taxes payable	13,882	0
Deferred income taxes	76,000	94,500
	-----	-----
Total current liabilities	839,433	634,200
LONG-TERM LIABILITIES		
Long-term debt, net of current maturity	123,604	150,450
Deferred income taxes	44,000	19,500
	-----	-----
Total long-term liabilities	167,604	169,950
	-----	-----
Total liabilities	1,007,037	804,150
	-----	-----

STOCKHOLDERS' EQUITY

  Common stock, no par value,

50,000 shares authorized, 1,000 shares issued and outstanding	100,000	100,000
Retained earnings	857,459	700,596
	-----	-----
Total stockholders' equity	957,459	800,596
	-----	-----
Total liabilities and stockholders' equity	\$ 1,964,496	\$ 1,604,746
	=====	=====

</TABLE>

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

F-4

CLAYBORN CONTRACTING GROUP, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Year Ended September 30, 2002 and 2001

<TABLE>

<CAPTION>

	2002	2001
	-----	-----
<S>	<C>	<C>
CONTRACT REVENUE	\$ 6,059,117	\$ 5,059,214
COST OF SALES	4,612,703	3,917,962
	-----	-----
Gross profit from contracting	1,446,414	1,141,252
GENERAL AND ADMINISTRATIVE EXPENSES	1,178,827	888,840
	-----	-----
Income from operations	267,587	252,412
	-----	-----
OTHER INCOME (EXPENSE)		
Loss on sale of assets	(3,311)	(6,986)
Interest income	5,117	22,192
Interest expense	(12,717)	(10,416)
	-----	-----
Total other income (expenses)	(10,911)	4,790
	-----	-----
Income before taxes	256,676	257,202
PROVISION FOR INCOME TAXES	99,813	105,000
	-----	-----
NET INCOME	156,863	152,202
RETAINED EARNINGS, beginning of year	700,596	548,394
	-----	-----
RETAINED EARNINGS, end of year	\$ 857,459	\$ 700,596
	=====	=====

</TABLE>

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

F-5

CLAYBORN CONTRACTING GROUP, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended September 30, 2002 and 2001

<TABLE>

<CAPTION>

CASH FLOWS FROM OPERATING ACTIVITIES

	2002	2001
	-----	-----
<S>	<C>	<C>
Net income	\$ 156,863	\$ 152,202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	136,633	122,822
Loss on sale of assets	3,311	6,986
Appreciation in cash surrender value of life insurance	(6,115)	(10,902)
(Increase) decrease in assets:		

Contract receivables	66,617	(327,315)
Costs and estimated earnings in excess of billings	(120,788)	(63,313)
Prepaid expenses	(20,793)	(5,342)
Prepaid income tax	15,181	(30,405)
Increase (decrease) in liabilities:		
Accounts payable	112,691	136,254
Accrued expenses	125,605	(24,812)
Billings in excess of costs and estimated earnings	(26,290)	28,838
Income taxes payable	13,882	(22,200)
Deferred income taxes	6,000	53,000
Other assets	0	2,687
	-----	-----
Net cash provided by operating activities	462,797	18,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(41,064)	(158,215)
Proceeds from sale of assets	25,075	13,000
Decrease (increase) in cash held in lieu of retentions	47,039	(66,209)
Proceeds from employee receivable	0	1,900
	-----	-----
Net cash provided by (used in) investing activities	31,050	(209,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(67,969)	(56,545)
	-----	-----
NET INCREASE (DECREASE) IN CASH	425,878	(247,569)
CASH, beginning of year	33,702	281,271
	-----	-----
CASH, end of year	\$ 459,580	\$ 33,702
	=====	=====
SUPPLEMENTAL DISCLOSURES REGARDING CASH FLOWS		
Cash paid for interest	\$ 12,717	\$ 10,416
	=====	=====
Cash paid for income taxes	\$ 64,750	\$ 104,605
	=====	=====

</TABLE>

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

F-6

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities - Clayborn Contracting Group, Inc. ("the Company") is engaged in electrical and heavy construction primarily in the public works sector. The work is performed under fixed price bid contracts. The Company performs the majority of their work in Northern and Central California.

Estimates and Assumptions - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Basis for Recording Income - The Company records income on construction contracts using the percentage-of-completion method of accounting based on the proportion of costs incurred on the contract to total estimated contract costs, except that material estimated losses which are apparent prior to completion are provided for in their entirety. No profit is taken into income until a contract has reached a stage of completion sufficient to reasonably determine, in the opinion of management, the ultimate realizable profit. Base percentages which range from 1% to 5%, depending on the type of contract, are generally used to determine when a sufficient stage of completion has been reached. Claims for additional contract compensation due the Company are not reflected in the accounts until the year in which such claims are allowed. As contracts extend over one or more periods, revisions in estimated costs and profits are reflected in the accounting period in which the facts which require the revisions become known.

Cost of sales includes all direct labor and labor costs, materials, subcontractors, equipment costs and other costs related to contract performance, such as indirect labor, supplies, tools and repairs. General and administrative

costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings," represents revenues recognized in excess of amounts billed on construction contracts in progress. The liability, "Billings in excess of costs and estimated earnings," represents billings in excess of revenues recognized on construction contracts in progress.

Financial Statement Classification - In accordance with normal practice in the construction industry, the Company includes in current assets and liabilities amounts realizable and payable over a period in excess of one year. Consistent with this practice, asset and liability accounts relating to construction contracts, including related deferred income taxes, are classified as current. The lives of the contracts entered into by the Company generally range from three to eighteen months.

Cash and Cash Equivalents - For financial statement purposes, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

F-7

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Concentration of Credit Risk - The Company maintains cash balances in excess of Federal Deposit Insurance Corporation insurable limits.

The Company performed a significant amount of work for one customer, comprising approximately 75% of outstanding contract receivables as of September 30, 2002. The Company performed a significant amount of work for two customers, comprising approximately 82% of outstanding contract receivables as of September 30, 2001. Contract revenue earned from one customer was approximately 62% and 56% of total contract revenue for the years ended September 30, 2002 and 2001, respectively.

Contract Receivables - The Company writes off contract receivables when uncollectible and payments subsequently received on such receivables are credited to revenue. Included in contract receivables is retainage receivable of \$107,579 and \$164,551 for the years ended September 30, 2002 and 2001, respectively, which is expected to be collected within one year.

Equipment - Equipment is recorded at cost and includes improvements that significantly add to its productivity or extend its useful life. Costs of maintenance and repairs are charged to expense. Upon retirement or disposal of equipment, the costs and related depreciation are removed from the accounts, and gain or loss, if any, is reflected in the earnings for both financial statement and income tax reporting purposes. Depreciation is provided for using the straight-line method. The estimated useful lives used for calculating depreciation for equipment classifications are as follows:

	Lives
	-----
Automotive equipment	5-7 Years
Construction equipment	5-7 Years
Office equipment	7-10 Years

Income Taxes - For income tax purposes, the Company reports income on the completed contract method of accounting. Under this method, billings and costs are accumulated during the period of construction, but profits or losses are not recorded until completion of the contracts.

Straight-line and accelerated depreciation are used for tax reporting purposes. Assets purchased after December 31, 1986, are subject to modified ACRS rules under the guidelines of the Tax Reform Act of 1986 (TRA 86).

Deferred income taxes are recorded using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Significant differences between the financial statement amounts and the tax basis for the Company arise from the recording of depreciation and the recognition of income from construction contracts. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment.

F-8

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

2. CASH HELD IN LIEU OF RETENTIONS

In exchange for the early release of retentions on various contracts, escrow accounts have been established in the amounts of \$19,170 and \$66,209 at September 30, 2002 and 2001, respectively.

3. COSTS AND ESTIMATED EARNINGS ON CONSTRUCTION CONTRACTS  
IN PROGRESS

Costs and estimated earnings on construction contracts in progress contrast related billings at September 30, 2002 and 2001 as follows:

	2002	2001
	-----	-----
-		
<S>	<C>	<C>
Cost of sales to date	\$ 928,866	\$ 868,308
Gross profit to date	219,809	269,333
	-----	-----
-		
Earned contract revenue	1,148,675	1,137,641
Contract billings to date	837,041	973,085
	-----	-----
-		
Net under billings	\$ 311,634	\$ 164,556
	=====	=====
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings	\$ 319,726	\$ 198,938
Billings in excess of costs and estimated earnings	(8,092)	(34,382)
	-----	-----
-		
Net under billings	\$ 311,634	\$ 164,556
	=====	=====

</TABLE>

F-9

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

4. EQUIPMENT

Equipment consists of the following as of September 30:

	2002	2001
	-----	-----
<S>	<C>	<C>
Automotive equipment	\$ 409,409	\$ 397,659
Construction equipment	382,594	351,030
Office equipment	35,157	36,911
	-----	-----
Subtotals	827,160	785,600
Less accumulated depreciation	458,242	331,695
	-----	-----
Totals	\$ 368,918	\$ 453,905
	=====	=====

</TABLE>

Depreciation charged to equipment costs and general and administrative expenses amounted to \$121,789 and \$14,844, respectively, for the year ended September 30, 2002, and \$106,337 and \$16,485 respectively, for the year ended September 30, 2001.

5. LINES OF CREDIT

The Company has an unsecured revolving line of credit with Wells Fargo Bank, due on demand with interest at prime plus 1.00% per annum, which expired March 10, 2003 and was subsequently renewed until March 10, 2004. The line of credit available with Wells Fargo Bank is \$250,000. As of September 30, 2002 and 2001, there was no balance due.

The Company has a second line of credit with Wells Fargo Bank to finance equipment purchases. Upon the use of this line of credit, equipment purchases

are financed in separate term notes (Note 6). The amounts financed under this credit facility bear interest at the bank's current fixed or variable rate in effect when the individual equipment is financed. The line of credit available annually is \$200,000. Balances of \$161,032 and \$182,407 were available on the line of credit as of September 30, 2002 and 2001, respectively. The line of credit expired on March 5, 2003 and was subsequently renewed until March 5, 2004.

F-10

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM DEBT

Long-term debt consists of the following:

	Interest Rate	2002	2001
	-----	-----	-----
--			
<S>	<C>	<C>	<C>
General Motors Acceptance Corporation, secured by automotive equipment, aggregate monthly principal and interest payments of \$834, due through January 2005	6.90% to 8.49%	\$ 13,916	\$ 27,853
Wells Fargo Bank, secured by equipment, aggregate monthly principal and interest payments of \$4,252, due through September 2007	6.65% to 8.90%	141,593	151,751
Chrysler Financial Corporation, secured by automotive equipment, monthly principal and interest payments of \$423, due November 2005	0.90%	15,830	20,736
		-----	-----
--			
Current maturity of long-term debt		47,735	49,890
		-----	-----
--			
Long-term debt, net of current maturity		\$ 123,604	\$ 150,450
		=====	=====

Aggregate maturities on long-term debt are as follows:

Year Ending September 30:	2002	2001
-----	-----	-----
--		
2002	\$ 0	\$ 49,890
2003	47,735	45,153
2004	48,913	46,175
2005	43,415	40,477
2006	22,274	18,645
2007	9,002	0
	-----	-----
---		
	\$ 171,339	\$ 200,340
	=====	=====

</TABLE>

F-11

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

7. PROVISION FOR INCOME TAXES

The provision for income taxes consists of the following for the year ended September 30:

	2002	2001
	-----	-----
--		
<S>	<C>	<C>
Current tax expense	\$ 93,813	\$ 52,000
Deferred tax expense	6,000	53,000
	-----	-----
-		



Total provision for income taxes	\$ 99,813	\$ 105,000
	=====	=====

The September 30, 2002 and 2001 income tax expense differed from the amounts computed by applying the federal statutory income tax rate of 34% to the pre-tax net income as a result of the following:

	2002	2001
	-----	-----
-		
Federal tax at the statutory rate	\$ 87,300	\$ 87,400
State income taxes, net of federal tax benefit	15,000	15,000
Utilization of tax credits	(5,500)	0
Permanent differences	4,400	2,800
Other	(1,387)	(200)
	-----	-----
-		
	\$ 99,813	\$ 105,000
	=====	=====

The components of the temporary differences that give rise to significant portions of the deferred tax liabilities are as follows:

	2002	2001
	-----	-----
-		
Contract revenue recognition	\$ 79,500	\$ 98,300
Depreciation	44,000	19,500
Other	(3,500)	(3,800)
	-----	-----
-		
Net deferred tax liabilities	\$ 120,000	\$ 114,000
	=====	=====

</TABLE>

F-12

CLAYBORN CONTRACTING GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

8. EMPLOYEE PROFIT SHARING PLAN

The Company has an employee profit sharing plan under Section 401(k) covering eligible employees. The Company matches 25% of employee deferrals up to 3% of wages. The Company's contribution for the year ended September 30, 2002 and 2001 amounted to \$7,256 and \$7,814, respectively, and is included in employee benefits in general and administrative expenses.

9. LITIGATION

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. The Company's management is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse affect on the Company's financial condition or operating results.

10. SUPPLEMENTAL DISCLOSURES REGARDING CASH FLOWS

Non-cash investing and financing activities for the years ended September 30, 2002 and 2001 consisted of the acquisition of equipment through long-term debt totaling \$38,968 and \$170,805, respectively.

11. SUBSEQUENT EVENT

In August 2003, the Board of Directors of the Company approved an Agreement and Plan of Merger with WPCS International Incorporated ("WPCS"). The merger closed effective August 22, 2003. The change in ownership resulting from the merger constitutes an event of default under the line of credit agreement with the Bank referred to in Note 5. WPCS acquired all of the issued and outstanding shares of the Company in exchange for \$900,000 cash consideration and 826,446 newly issued shares of WPCS common stock. An additional \$1,100,000 is payable by delivery to the Company shareholders of 50% of the post tax profits of the Company, payable in quarterly distributions.

F-13

<TABLE>  
<CAPTION>  
<S>

Condensed Balance Sheets as of June 30, 2003 (unaudited) and September 30, 2002

<C>  
F-15 to F-16

Condensed Statements of Income for the nine months ended  
June 30, 2003 and 2002

F-17

Condensed Statements of Cash Flows for the nine months ended  
June 30, 2003 and 2002

F-18

Notes to Condensed Financial Statements

F-19

</TABLE>

F-14  
CLAYBORN CONTRACTING GROUP, INC.

CONDENSED BALANCE SHEETS

<TABLE>  
<CAPTION>

ASSETS	(unaudited)	September 30,
	June 30, 2003	2002
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 298,069	\$ 459,580
Cash held in lieu of retentions	45,760	19,170
Contract receivables	569,462	678,284
Costs and estimated earnings in excess of billings	128,807	319,726
Prepaid expenses	9,787	48,329
Prepaid income tax	3,224	15,224
Total current assets	1,055,109	1,540,313
EQUIPMENT, NET	365,940	368,918
OTHER ASSETS	61,515	55,265
Total assets	\$ 1,482,564	\$ 1,964,496

</TABLE>

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

F-15  
CLAYBORN CONTRACTING GROUP, INC.

CONDENSED BALANCE SHEETS (continued)

<TABLE>  
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(unaudited)	September 30,
	June 30, 2003	2002
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	\$ 136,405	\$ 517,688
Accrued expenses	13,149	176,036
Current maturity of long-term debt	55,287	47,735
Billings in excess of costs and estimated earnings	47,509	8,092
Income taxes payable	-	13,882
Deferred income taxes	120,000	76,000
Total current liabilities	372,350	839,433
LONG-TERM LIABILITIES		
Long-term debt, net of current maturity	118,141	123,604
Deferred income taxes	-	44,000
Total long-term liabilities	118,141	167,604
Total liabilities	490,491	1,007,037

STOCKHOLDERS' EQUITY

Common stock, no par value, 50,000 shares authorized, 1,000 shares issued and outstanding	100,000	100,000
Retained earnings	892,073	857,459
	-----	-----
Total stockholders' equity	992,073	957,459
	-----	-----
Total liabilities and stockholders' equity	\$ 1,482,564	\$ 1,964,496
	=====	=====

</TABLE>

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

F-16  
CLAYBORN CONTRACTING GROUP, INC.  
CONDENSED STATEMENTS OF INCOME  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Nine months ended June 30,	
	2003	2002
	-----	-----
-		
<S> CONTRACT REVENUE	<C> \$ 3,472,102	<C> \$ 3,941,780
COST OF SALES	2,753,577	2,895,320
	-----	-----
Gross profit from contracting	718,525	1,046,460
GENERAL AND ADMINISTRATIVE EXPENSES	619,580	759,510
	-----	-----
Income from operations	98,945	286,950
	-----	-----
OTHER INCOME (EXPENSE)		
Loss on sale of assets	(1,450)	-
Interest income	4,282	6,214
Interest expense	(8,063)	(9,942)
	-----	-----
Total other income (expense)	(5,231)	(3,728)
	-----	-----
-		
Income before taxes	93,714	283,222
PROVISION FOR INCOME TAXES	59,100	19,261
	-----	-----
-		
NET INCOME	\$ 34,614	\$ 263,961
	=====	=====

</TABLE>

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

F-17  
CLAYBORN CONTRACTING GROUP, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Nine months ended June 30,	
	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
-		
<S> Net income	<C> \$ 34,614	<C> \$ 263,961
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	98,555	106,284

Appreciation in cash surrender value of life insurance	(11,185)	0
(Increase) decrease in assets:		
Contract receivables	108,822	(3,445)
Costs and estimated earnings in excess of billings	190,919	(123,656)
Prepaid expenses	38,542	23,323
Prepaid income tax	12,000	(20,989)
Increase (decrease) in liabilities:		
Accounts payable	(381,283)	153,912
Accrued expenses	(162,887)	(41,971)
Billings in excess of costs and estimated earnings	39,417	36,730
Income taxes payable	(13,882)	(5,300)
Other assets	4,934	0
-	-----	-----
Net cash (used in) provided by operating activities	(41,434)	388,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(95,576)	(9,874)
(Increase) decrease in cash held in lieu of retentions	(26,590)	37,049
-	-----	-----
Net cash (used in) provided by investing activities	(122,166)	27,175
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	39,463	0
Principal payments on long-term debt	(37,374)	(38,019)
-	-----	-----
Net cash provided by (used in) financing activities	2,089	(38,019)
-	-----	-----
NET (DECREASE) INCREASE IN CASH	(161,511)	378,005
CASH, beginning of year	459,580	33,702
-	-----	-----
CASH, end of period	\$ 298,069	\$ 411,707
	=====	=====

</TABLE>

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

F-18

CLAYBORN CONTRACTING GROUP, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The accompanying unaudited condensed interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include all of the information and footnote disclosures required by accounting principles generally accepted in the United States of America. Accordingly, the unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended September 30, 2002. Operating results for the nine month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year.

**Company's Activities** - Clayborn Contracting Group, Inc. ("the Company") is engaged in electrical and heavy construction primarily in the public works sector. The work is performed under fixed price bid contracts. The Company performs the majority of their work in Northern and Central California.

**Estimates and Assumptions** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Basis for Recording Income** - The Company records income on construction contracts using the percentage-of-completion method of accounting based on the proportion of costs incurred on the contract to total estimated contract costs, except that material estimated losses which are apparent prior

to completion are provided for in their entirety. No profit is taken into income until a contract has reached a stage of completion sufficient to reasonably determine, in the opinion of management, the ultimate realizable profit. Base percentages which range from 1% to 5%, depending on the type of contract, are generally used to determine when a sufficient stage of completion has been reached. Claims for additional contract compensation due the Company are not reflected in the accounts until the year in which such claims are allowed. As contracts extend over one or more periods, revisions in estimated costs and profits are reflected in the accounting period in which the facts which require the revisions become known.

Cost of sales includes all direct labor and labor costs, materials, subcontractors, equipment costs and other costs related to contract performance, such as indirect labor, supplies, tools and repairs. General and administrative costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings," represents revenues recognized in excess of amounts billed on construction contracts in progress. The liability, "Billings in excess of costs and estimated earnings," represents billings in excess of revenues recognized on construction contracts in progress.

F-19  
CLAYBORN CONTRACTING GROUP, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

2. COSTS AND ESTIMATED EARNINGS ON CONSTRUCTION CONTRACTS  
IN PROGRESS

Costs and estimated earnings on construction contracts in progress contrast related billings at June 30, 2003 and September 30, 2002 as follows:

<TABLE>  
<CAPTION>

	June 30, 2003 (unaudited)	September 30, 2002
	-----	-----
---		
<S> <C>	<C>	<C>
Cost of sales to date	\$ 1,959,467	\$ 928,866
Gross profit to date	708,496	
219,809		
---	-----	-----
Earned contract revenue	2,667,963	1,148,675
Contract billings to date	2,586,665	837,041
---	-----	-----
Net under billings	\$ 81,298	\$
311,634		
=====	=====	

Included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings	\$ 128,807	\$ 319,726
Billings in excess of costs and estimated earnings (8,092)	(47,509)	
---	-----	-----
Net under billings	\$ 81,298	\$
311,634		
=====	=====	

</TABLE>

F-20  
CLAYBORN CONTRACTING GROUP, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

3. LONG-TERM DEBT

Long-term debt consists of the following:

<TABLE>  
<CAPTION>

June 30,

September 30,

2002	Interest Rate	2003 (unaudited)	
<S>	<C>	<C>	<C>
General Motors Acceptance Corporation, secured by automotive equipment, aggregate monthly principal and interest payments of \$946, due through May 2008 13,916	6.50% to 8.49%	\$ 23,072	\$
Wells Fargo Bank, secured by equipment, aggregate monthly principal and interest payments of \$4,088, due through February 2008 141,593	6.65% to 8.90%	87,940	
Chrysler Financial Corporation, secured by automotive equipment, monthly principal and interest payments of \$423, due November 2005 15,830	0.90%	7,127	
		-----	---
47,735	Current maturity of long-term debt	55,287	
		-----	---
123,604	Long-term debt, net of current maturity	\$ 118,141	\$
		-----	---
Aggregate maturities on long-term debt are as follows:			
September 30,		June 30,	
2002		2003	
		(unaudited)	
		-----	---
47,735	2003	\$ 0	\$
48,913	2004	55,287	\$
43,415	2005	65,040	
22,274	2006	30,001	
9,002	2007	17,263	
0	2008	5,837	
		-----	---
171,339		\$ 173,428	\$
		=====	

</TABLE>

#### 4. LITIGATION

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. The Company's management is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse affect on the Company's financial condition or operating results.

F-21

#### 5. SUBSEQUENT EVENT

In August 2003, the Board of Directors of the Company approved an Agreement and Plan of Merger with WPCS International Incorporated ("WPCS"). The merger closed effective August 22, 2003. The change in ownership resulting from the merger constitutes an event of default under the line of credit agreement with the Bank referred to in Note 5. WPCS acquired all of the issued and outstanding shares of the Company in exchange for \$900,000 cash consideration and 826,446 newly issued shares of WPCS common stock. An additional \$1,100,000 is payable by delivery to the Company shareholders of 50% of the post tax profits of the Company, payable in quarterly distributions.

F-22  
WPCS INTERNATIONAL INCORPORATED

INDEX TO UNAUDITED CONDENSED CONSOLIDATED  
PRO FORMA FINANCIAL INFORMATION

<TABLE>	
<CAPTION>	
<S>	<C> <C>
INTRODUCTION TO PRO FORMA FINANCIAL INFORMATION	F-24 to F-25
PRO FORMA UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET- "WPCS" AT JULY 31, 2003 AND "CLAYBORN" AT JUNE 30, 2003	F-26 to F-27
PRO FORMA UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS -"WPCS" FOR TWELVE MONTHS ENDED APRIL 30, 2003 AND "CLAYBORN " FOR TWELVE MONTHS ENDED MARCH 31, 2003	F-28
NOTES TO PRO FORMA UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR TWELVE MONTHS ENDED APRIL 30, 2003	F-29 to F-30
PRO FORMA UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS -"WPCS" FOR THREE MONTHS ENDED JULY 31, 2003 AND "CLAYBORN " FOR THREE MONTHS ENDED JUNE 30, 2003	F-31
NOTES TO PRO FORMA UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED JULY 31, 2003	F-32
</TABLE>	

F-23

WPCS INTERNATIONAL INCORPORATED

INTRODUCTION TO PRO FORMA FINANCIAL INFORMATION

We are providing the following unaudited pro forma condensed combined financial information of WPCS International ("WPCS") and its acquisition of Clayborn Contracting Group, Inc. ("Clayborn") to present the results of operations and financial position of WPCS had the merger been completed at an earlier date.

ACQUISITION OF CLAYBORN CONTRACTING GROUP, INC.

On August 22, 2003, WPCS International Incorporated, a Delaware corporation (the "Company"), entered into and completed an Agreement and Plan of Merger with Clayborn Contracting Acquisition Corp. a California corporation wholly-owned by the Company (the "Subsidiary"), Clayborn Contracting Group, Inc., a California corporation ("Clayborn"), David G. Gove, as trustee ("D. Gove") and Sharon Gove, as trustee ("S. Gove" and together with D. Gove, the "Clayborn Shareholders").

Pursuant to the terms of the Agreement and Plan of Merger (the "Acquisition"), the Company acquired all of the issued and outstanding shares of capital stock of Clayborn from the Clayborn Shareholders in exchange for \$900,000 cash consideration and of 826,446 newly issued shares of the Company's common stock with a fair value of approximately \$868,000 based on the average value of the Company's common stock as of a few days before and after the merger terms were agreed to and announced. An additional \$1,100,000 is payable by the delivery to the Clayborn shareholders of 50% of the post tax profits of Clayborn, payable in quarterly distributions, which would increase the purchase price. Based on the June 30, 2003 historical net assets acquired from Clayborn of approximately \$992,000, the Company preliminarily expects to recognize goodwill of approximately \$816,000, including transaction costs. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or intangible assets.

The unaudited pro forma condensed consolidated balance sheet of the Company gives effect to the merger as if it had occurred on July 31, 2003 and the unaudited pro forma condensed consolidated statement of operations of the Company gives effect to the merger as if it had occurred on May 1, 2002 for the twelve months ended April 30, 2003, and on May 1, 2003, for the three months ended July 31, 2003, respectively.

The acquisition of Clayborn was accounted for under the purchase method of accounting in accordance with the 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 is created 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. Based on the preliminary information currently available, the acquisition resulted in approximately \$816,000 of goodwill.

This unaudited pro forma condensed consolidated financial information is based on the estimates and assumptions set forth herein and in the notes thereto. The unaudited pro forma results for the twelve months ended April 30, 2003 have been prepared utilizing (a) the audited financial statements of WPCS included in Form 10-KSB for the fiscal year ended April 30, 2003; (b) the unaudited financial statements of Clayborn for the twelve months ended March 31, 2003; (c) unaudited financial statements of Invisinet, Inc. for the six months ended September 30, 2002; and (d) the unaudited financial statements of Walker Comm, Inc. for the eight months ended December 31, 2002.

The unaudited pro forma results for the three months ended July 31, 2003 have been prepared utilizing (a) the unaudited interim financial statements of WPCS included in Form 10-QSB for the three months ended July 31, 2003; and (b) the unaudited financial statements of Clayborn for the three months ended June 30, 2003.

The following unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of (i) the results of operations of the Company that actually would have occurred had the "Agreement and Plan of Merger" been consummated on the dates indicated or (ii) the results of operations of the Company that may occur or be attained in the future. The following information is qualified in its entirety by reference to and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", WPCS's audited consolidated financial statements, including the notes thereto contained in its Annual Report on Form 10-KSB for the year ended April 30, 2003 incorporated herein by reference, Clayborn's audited financial statements, including the notes thereto, for the years ended September 30, 2002 and 2001 and other historical financial information appearing elsewhere herein.

F-25

<TABLE>  
<CAPTION>

WPCS INTERNATIONAL INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED PRO FORMA UNAUDITED BALANCE SHEET

FORMA	JULY 31, 2003 WPCS	JUNE 30, 2003 CLAYBORN	ADJUSTMENTS	PRO
CONSOLIDATED	-----	-----	-----	--
ASSETS				
<S>	<C>	<C>	<C>	<C>
Current Assets				
Cash	\$ 929,084	\$ 298,069	(a) (\$900,000)	\$
327,153				
Accounts receivable, net	3,070,588	615,222	-	
3,685,810				
Costs in excess of billings	946,658	128,807	-	
1,075,465				
Inventory	90,352	-	-	
90,352				
Prepaid expenses	196,473	13,011	-	
209,484				
Deferred tax assets	70,000	-	-	
70,000				
	-----	-----	-----	--
Total current assets	5,303,155	1,055,109	(900,000)	
5,458,264				
Property and Equipment, net	612,470	365,940	-	
978,410				
Customer lists, net	472,000	-	-	
472,000				
Goodwill	5,538,882	-	(b) 815,695	
6,354,577				
Other Assets	22,771	61,515	-	
84,286				
	-----	-----	-----	--
	\$ 11,949,278	\$ 1,482,564	\$ (84,305)	\$
13,347,537	=====	=====	=====	
=====				



</TABLE>

F-26  
WPCS INTERNATIONAL INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED PRO FORMA UNAUDITED BALANCE SHEET

<TABLE>  
<CAPTION>

FORMA	JULY 31, 2003 WPCS	JUNE 30, 2003 CLAYBORN	PRO ADJUSTMENTS	PRO
CONSOLIDATED				
-----	-----	-----	-----	---
LIABILITIES AND STOCKHOLDERS' EQUITY				
<S>	<C>	<C>	<C>	<C>
Current Liabilities				
Accounts payable and accrued expenses 1,334,685	\$ 1,145,131	\$ 149,554	(b) \$ 40,000	\$
Billings in excess of cost 1,454,664	1,407,155	47,509	-	
Current maturities-capital lease obligation 2,294	2,294	-	-	
Current maturities-equipment loans payable 65,614	10,327	55,287	-	
Notes payable, officer 100,000	100,000	-	-	
Due to shareholders 208,207	208,207	-	-	
Income taxes payable 143,000	143,000	-	-	
Deferred taxes- current portion 249,000	129,000	120,000	-	
-----	-----	-----	-----	---
Total current liabilities 3,557,464	3,145,114	372,350	40,000	
-----	-----	-----	-----	---
Capital lease obligation-net of current maturities 4,056	4,056	-	-	
Long-term debt, net of current maturities 118,141	-	118,141	-	
Deferred taxes, net of current portion 434,000	434,000	-	-	
-----	-----	-----	-----	---
Total liabilities 4,113,661	3,583,170	490,491	40,000	
-----	-----	-----	-----	---
Stockholders' equity				
Common stock 1,569	1,486	100,000	(d) 83	
Additional paid-in capital 9,898,111	9,030,426	-	(c) (100,000) (d) 867,685	
(Accumulated deficit)/retained earnings (655,804)	(655,804)	892,073	(c) (892,073)	
-----	-----	-----	-----	---
Total stockholders equity 9,233,876	8,366,108	992,073	(124,305)	
-----	-----	-----	-----	---
13,347,537	\$ 11,949,278	\$ 1,482,564	\$ (84,305)	\$
=====	=====	=====	=====	---

</TABLE>

F-27

<TABLE>  
<CAPTION>

WPCS International Incorporated and Subsidiaries

Condensed Consolidated Pro Forma Unaudited Statement of Operations for the Year Ended April 30,

2003

FORMA	FOR THE YEAR ENDED	FOR THE SIX MONTHS ENDED	FOR THE EIGHT MONTHS ENDED	PRO FORMA CONSOLIDATED	FOR THE TWELVE MONTHS ENDED	PRO
-------	-----------------------	-----------------------------	-------------------------------	---------------------------	--------------------------------	-----

CONSOLIDATED	APRIL 30,	SEPTEMBER 30,	DECEMBER 31,		before	MARCH 31,	
after	2003	2002	2002		CLAYBORN	2003	
CLAYBORN	WPCS	INVISINET	WALKER	ADJUSTMENTS	ACQUISITION	CLAYBORN	
ACQUISITION							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales 16,654,833	\$ 5,422,858	\$ 656,295	\$4,599,372	\$ -	\$ 10,678,525	\$ 5,976,308	\$
Cost of sales 12,997,639	3,768,495	521,630	4,093,286	-	8,383,411	4,614,228	
Gross profit 3,657,194	1,654,363	134,665	506,086	-	2,295,114	1,362,080	
Operating expenses							
Selling expenses 57,527	27,741	-	29,786	-	57,527	-	
General and administrative 4,338,437	1,833,086	172,516	1,288,532	-	3,294,134	1,044,303	
Provision for doubtful accounts 30,386	38,779	6,000	(14,393)	-	30,386	-	
Depreciation and amortization 377,278	116,501	3,366	134,353 (a)	106,949	361,169	16,109	
Total operating expenses 4,803,628	2,016,107	181,882	1,438,278	106,949	3,743,216	1,060,412	
Income (loss) from operations (1,146,434)	(361,744)	(47,217)	(932,192)	(106,949)	(1,448,102)	301,668	
Other income (expense)							
Interest income 2,435	-	-	2,435	-	2,435	-	
Interest expense (12,279)	-	(297)	-	-	(297)	(11,982)	
Total other income (expense) (9,844)	-	(297)	2,435	-	2,138	(11,982)	
Income (loss) before provision for income taxes (1,156,278)	(361,744)	(47,514)	(929,757)	(106,949)	(1,445,964)	289,686	
Provision for income taxes (94,456)	(19,550)	-	60,246	-	40,696	(135,152)	
Net Income (loss) (1,250,734)	\$ (381,294)	\$ (47,514)	\$ (869,511)	\$ (106,949)	\$ (1,405,268)	\$ 154,534	\$
Imputed dividends accreted on Convertible Series B Preferred Stock (173,000)	(173,000)	-	-	-	(173,000)	-	
Net loss attributable to common Shareholders (1,423,734)	\$ (554,294)	\$ (47,514)	\$ (869,511)	\$ (106,949)	\$ (1,578,268)	\$ 154,534	\$
Basic net loss per common share (0.11)	\$ (0.05)				\$ (0.13)		\$

=====

Basic weighted average number of common shares outstanding	10,376,685	12,571,474
13,397,920		

-----

</TABLE>

F-28

WPCS INTERNATIONAL INCORPORATED and SUBSIDIARIES

NOTES TO PRO FORMA UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the year ended April 30, 2003

NOTE 1. WPCS International Incorporated ("WPCS") is a publicly held corporation whose newly formed subsidiaries completed the following transactions: (a) on November 13, 2002, merged with Invisinet, Inc. ("Invisinet") (b) on December 30, 2002, merged with Walker Comm, Inc, ("Walker") and (c) on August 22, 2003, merged with Clayborn Contracting Group, Inc. ("Clayborn"). For accounting purposes, each of these transactions has been treated as an acquisition with the net assets of each acquired company being stated at fair value in accordance with the purchase method of accounting.

NOTE 2. The unaudited pro forma consolidated balance sheet at July 31, 2003 presented herein has been prepared as if the merger of WPCS and Clayborn had been consummated on May 1, 2003. Pro forma balance sheet adjustments have been made for the following:

- (a) To record the cash consideration of \$900,000 paid to the shareholders of Clayborn at the closing of the acquisition.
- (b) To reflect the excess of acquisition cost over the estimated fair value of the net assets acquired (goodwill). The allocation of the purchase price is based on financial information of Clayborn as of June 30, 2003. There might be further adjustments to the purchase price allocation upon finalization of financial information as of the date of the merger. However, we do not believe that the final purchase price allocation will have a material impact on our pro forma results of operations or financial position. The purchase price and purchase price allocation are summarized as follows:

F-29

<TABLE>  
<CAPTION>

<S>	<C>
Purchase price paid as:	
Cash consideration	\$ 900,000
Common stock issued	867,768
Transaction costs	40,000
	-----
Total purchase price consideration	1,807,768
Allocated to:	
Historical net book value of Clayborn at June 30, 2003	\$ 992,073
	-----
Cost in excess of net assets acquired	\$ 815,695
	=====

</TABLE>

- (c) To reflect the elimination of the shareholders' equity accounts of Clayborn of (\$992,073) and the issuance of WPCS common stock. To effect the merger, WPCS issued 826,446 shares of WPCS common stock with a fair value of approximately \$868,000, based upon the average value of WPCS common stock a few days before and after the merger terms were agreed to and announced.
- (d) To reflect the issuance of 826,446 shares of WPCS common stock to effect the merger as if these shares were outstanding at the beginning of the periods presented.

NOTE 3. The unaudited pro forma condensed consolidated statements of operations for the twelve months ended April 30, 2003 presented herein has been prepared as if the merger of WPCS and Clayborn had been consummated as of May 1, 2002. Likewise, the pro forma condensed consolidated statement of operations for the twelve months ended April 30, 2003 include the unaudited statements of operations of Invisinet for the six months ended September 30, 2002, and Walker

for the eight months ended December 31, 2002, as if the merger of these companies had been consummated as of May 1, 2002. Pro forma statement of operations adjustments for the twelve months ended April 30, 2003 have been made for the following.

- (a) To record a full year of depreciation and amortization for the fair value of property and equipment and customer lists acquired related to the Invisinet and Walker acquisitions, as if the merger of these companies had been consummated as of May 1, 2002. Accordingly, addition depreciation on property and equipment of \$39,949 and amortization of \$67,000, totaling \$106,949, is included as a pro forma adjustment.

F-30

WPCS INTERNATIONAL INCORPORATED and SUBSIDIARIES

NOTES TO PRO FORMA UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS for the Three Months ended July 31, 2003

<TABLE>  
<CAPTION>

WPCS INTERNATIONAL INC AND SUBSIDIARIES  
PROFORMA STATEMENT OF EARNINGS

	FOR THE THREE MONTHS ENDED JULY 31, 2003 WPCS	FOR THE THREE MONTHS ENDED JUNE 30, 2003 CLAYBORN	PRO FORMA CONSOLIDATED FOR THE THREE MONTHS ENDED JULY 31, 2003
	-----	-----	-----
--			
<S>	<C>	<C>	<C>
Net sales	\$ 3,096,483	\$ 1,438,162	\$ 4,534,645
Cost of sales	2,029,246	1,086,598	3,115,844
	-----	-----	-----
--			
Gross profit	1,067,237	351,564	1,418,801
	-----	-----	-----
--			
Operating expenses			
Selling expenses	16,236	-	16,236
General and administrative	1,069,063	194,414	1,263,477
Depreciation and amortization	63,682	4,344	68,026
	-----	-----	-----
--			
Total operating expenses	1,148,981	198,758	1,347,739
	-----	-----	-----
--			
Income (loss) from operations	(81,744)	152,806	71,062
Other income (expense)			
Interest income	-	1,310	-
Interest expense (3,005)	-	(3,005)	-
	-----	-----	-----
--			
Total other income (expense)	-	(1,695)	(3,005)
	-----	-----	-----
--			
Income (loss) before provision for income taxes	(81,744)	151,111	68,057
Provision for income taxes	(41,000)	(23,700)	(64,700)
	-----	-----	-----
--			
Net Income (loss)	\$ (122,744)	\$ 127,411	\$ 3,357
	=====	=====	=====
Basic net income (loss) per common share	\$ (0.01)		\$ 0.00
	=====		
=====			
Basic weighted average number of common shares outstanding	13,252,755		14,079,201
	=====		
=====			

</TABLE>

F-31

WPCS INTERNATIONAL INCORPORATED and SUBSIDIARIES

NOTES TO PRO FORMA UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS for the Three Months ended July 31, 2003

NOTE 1. The statement of operations of WPCS was derived from its interim unaudited financial statements on Form 10Q-SB for the three months ended July 31, 2003.

The statement of operations of Clayborn was derived from its interim unaudited financial statements for the three months ended June 30, 2003.