

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended July 31, 2004

TRANSITION REPORT UNDER 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 on its charter)

Delaware 98-0204758
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

140 South Village Avenue
Suite 20
Exton, PA 19341
(Address of principle executive offices)

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

(Former name, former address and former fiscal year,
if changed since last report)

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: 20,849,976 shares issued and outstanding as of August 31, 2004

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

<TABLE>
<CAPTION>

INDEX

PART I FINANCIAL INFORMATION

<S>	<C>	<C>	<C>
ITEM 1	Condensed consolidated balance sheets at July 31, 2004 (unaudited) and April 30, 2004		3 - 4
	Condensed consolidated statements of operations for the three months ended July 31, 2004 and 2003 (unaudited)		5
	Condensed consolidated statement of shareholders' equity for the three months ended July 31, 2004 (unaudited)		6
	Condensed consolidated statements of cash flows for the three months ended July 31, 2004 and 2003 (unaudited)		7 - 8
	Notes to unaudited condensed consolidated financial statements		9 - 17
ITEM 2	Management's Discussion and Analysis		18 - 25
ITEM 3	Controls and Procedures		26

PART II OTHER INFORMATION

ITEM 1	Legal proceedings	27
ITEM 2	Changes in securities and use of proceeds	27
ITEM 3	Defaults upon senior securities	27
ITEM 4	Submission of matters to a vote of security holders	27
ITEM 5	Other information	27
ITEM 6	Exhibits and Reports on Form 8-K	27
SIGNATURES		28
CERTIFICATIONS		29 - 32

</TABLE>

2

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	JULY 31, 2004	APRIL 30, 2004
ASSETS	-----	-----
	(Unaudited)	
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 466,195	\$ 1,984,636
Accounts receivable, net of allowance of \$61,779 at July 31, 2004 and April 30, 2004	5,707,232	5,909,879
Costs and estimated earnings in excess of billings on uncompleted contracts	2,544,450	2,123,031
Inventory	107,021	104,799
Prepaid expenses	240,422	264,076
Deferred income taxes	51,000	60,000
	-----	-----
Total current assets	9,116,320	10,446,421
PROPERTY AND EQUIPMENT, net	1,013,921	1,005,760
CUSTOMER LISTS	564,083	603,333
GOODWILL	8,634,971	8,681,870
OTHER ASSETS	183,841	144,713
	-----	-----
Total assets	\$19,513,136	\$20,882,097
	=====	=====

</TABLE>

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

3

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

<TABLE>
<CAPTION>

	JULY 31, 2004	APRIL 30, 2004
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings under lines of credit	\$ 395,000	\$ 551,000
Current maturities of capital lease obligation	2,599	2,534
Current maturities of loans payable	97,977	94,056
Accounts payable and accrued expenses	3,527,472	4,732,200
Billings in excess of costs and estimated earnings on uncompleted contracts	2,052,727	2,162,452
Due to shareholders	73,245	88,157
Income taxes payable	387,740	223,753
Deferred income taxes	196,100	196,100
	-----	-----
Total current liabilities	6,732,860	8,050,252
Capital lease obligation, net of current portion	1,400	2,073
Loans payable, net of current portion	181,194	170,362
Due to shareholders, net of current portion	1,026,755	1,026,755
Deferred income taxes	219,900	344,900
	-----	-----

Total liabilities	8,162,109	9,594,342
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock - \$0.0001 par value, 5,000,000 shares authorized, none issued	--	--
Common Stock - \$0.0001 par value, 75,000,000 shares authorized, 20,849,976 shares issued and outstanding at July 31, 2004 and April 30, 2004	2,085	2,085
Additional paid-in capital	11,965,520	11,991,476
Unearned consulting services	(25,706)	(38,559)
Accumulated deficit	(590,872)	(667,247)
	-----	-----
Total shareholders' equity	11,351,027	11,287,755
	-----	-----
Total liabilities and shareholders' equity	\$ 19,513,136	\$ 20,882,097
	=====	=====

</TABLE>

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

4

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended July 31,	
	2004	2003
	-----	-----
<S>	<C>	<C>
REVENUE	\$ 7,279,153	\$ 3,096,483
	-----	-----
COSTS AND EXPENSES:		
Cost of revenue	5,255,474	2,029,246
Selling, general and administrative expenses	1,756,804	1,084,183
Depreciation and amortization	122,031	63,682
	-----	-----
Total costs and expenses	7,134,309	3,177,111
	-----	-----
OPERATING INCOME (LOSS)	144,844	(80,628)
OTHER EXPENSE:		
Interest expense	1,113	1,116
	-----	-----
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	143,731	(81,744)
Income tax provision	(67,356)	(41,000)
	-----	-----
NET INCOME (LOSS)	\$ 76,375	(\$ 122,744)
	=====	=====
Basic net income (loss) per common share	\$ 0.00	(\$ 0.01)
	=====	=====
Diluted net income (loss) per common share	\$ 0.00	(\$ 0.01)
	=====	=====
Basic weighted average number of common shares outstanding .	20,849,976	13,252,755
	=====	=====
Diluted weighted average number of common shares outstanding	21,225,396	13,252,755
	=====	=====

</TABLE>

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

5

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED)

<TABLE>
<CAPTION>

Total Shareholders' Equity	Preferred Stock		Common Stock		Additional	Unearned	Accumulated
	Shares	Amount	Shares	Amount	Paid-In Capital	Consulting Services	
-----	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, APRIL 30, 2004 \$11,287,755	0	\$0	20,849,976	\$2,085	\$11,991,476	(\$38,559)	(\$667,247)
Equity issuance costs (25,956)	-	-	-	-	(25,956)	-	-
Amortization of unearned consulting services 12,853	-	-	-	-	-	12,853	-
Net income 76,375	-	-	-	-	-	-	76,375

BALANCE, JULY 31, 2004 \$11,351,027	0	\$0	20,849,976	\$2,085	\$11,965,520	(\$25,706)	(\$590,872)
=====							

</TABLE>

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

6

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended July 31,	
	2004	2003
----	<C>	
OPERATING ACTIVITIES :		
Net income (loss)	\$ 76,375	(\$ 122,744)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	122,031	
Provision for doubtful accounts	--	
Amortization of unearned consulting services	12,853	
Deferred income taxes	(116,000)	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	202,647	
Costs and estimated earnings in excess of billings on uncompleted contracts	(421,419)	
Inventory	(2,222)	
Prepaid expenses	23,654	
Other assets	(39,128)	
Accounts payable and accrued expenses	(1,152,938)	
Billings in excess of costs and estimated earnings on uncompleted contracts	(109,725)	

1,191,336		
Income taxes payable	163,987	
119,300		

NET CASH USED IN OPERATING ACTIVITIES	(1,239,885)	
(123,769)		

INVESTING ACTIVITIES:		
Acquisition of property and equipment	(65,012)	
(1,201)		
Acquisition earn-out and other transaction costs	(19,803)	--

NET CASH USED IN INVESTING ACTIVITIES	(84,815)	
(1,201)		

FINANCING ACTIVITIES:		
Proceeds from sale of common stock	--	
898,000		
Equity issuance costs	(25,956)	--
Repayments on line of credit	(156,000)	--
Repayment of equipment loans payable	(11,177)	
(10,941)		
Payments of capital lease obligations	(608)	
(552)		

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(193,741)	
886,507		

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,518,441)	
761,537		
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,984,636	
167,547		

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 466,195	\$
929,084		
=====		

</TABLE>

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

7
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

<TABLE>
<CAPTION>

Ended	Three Months
	July 31,
2003	2004

<S> <C>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Cash paid during the period for:

Interest	\$ 2,057	\$
1,778		
=====		
Income taxes	\$ 21,568	\$
22,077		
=====		

SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Earn-out consideration unpaid relating to acquisitions	\$	-	\$
150,000			

=====			
	Issuance of note for property and equipment	\$	25,930 \$
-			
=====			
	Reversal of accrual established in purchase accounting	\$	51,790 \$
-			
=====			

</TABLE>

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

8
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-QSB 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 consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2004. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of the management, considered necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. Operating results for the three month period ended July 31, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2005. Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

The accompanying unaudited condensed consolidated financial statements include the accounts of WPCS International Incorporated ("WPCS") and its wholly-owned subsidiaries, WPCS Incorporated, Invisinet Inc. ("Invisinet"), Walker Comm, Inc. ("Walker"), Clayborn Contracting Group, Inc. ("Clayborn") from August 22, 2003 (date of acquisition), and Heinz Corporation ("Heinz") from April 2, 2004 (date of acquisition), collectively the "Company".

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. The Company provides a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support.

On August 22, 2003, the Company acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 826,446 newly issued shares of the Company's common stock and \$900,000 cash consideration. An additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post-tax profits of Clayborn.

On April 2, 2004, the Company acquired all of the outstanding common stock of Heinz for \$1,000,000, as follows: (1) \$700,000 of the Company's common stock, based on the closing price of its common stock on March 30, 2004 of \$0.98 per share, for an aggregate of 714,286 newly issued shares of the Company's common stock and (2) \$300,000 total cash consideration, of which \$100,000 was paid at closing and a \$200,000 non-interest bearing promissory note. Of the \$200,000, \$75,000 is payable on the first and second anniversaries of the closing date and \$50,000 is payable on the third anniversary of the closing date.

9
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

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

Goodwill

In accordance with the guidelines of Statement of Financial Standards ("SFAS")

No. 142, "Goodwill and Other Intangible Assets," 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 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. On an ongoing basis, the Company performs its annual impairment test during the fourth quarter absent any interim impairment indicators.

Changes in goodwill during the three months ended July 31, 2004 are as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
Beginning balance, May 1, 2004	\$8,681,870
Reversal of accrual established in purchase accounting	(51,790)
Transaction costs	4,891

Ending balance, July 31, 2004	\$8,634,971
	=====

</TABLE>
Revenue recognition

The Company generates its revenue by providing project engineering and installation services for specialty communication systems, including wireless fidelity (WiFi) and fixed wireless deployment. The Company provides a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

10
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Company records profits on these projects 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.

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 July 31, 2004, the Company had 2,758,475 stock options and 5,109,400 warrants outstanding. At July 31, 2003, the Company had 2,638,000 stock options outstanding.

For the three months ended July 31, 2004, 1,574,475 stock options and 4,444,400 warrants were not included in the computation of fully diluted earnings per

share, because the stock option and warrant exercise price exceeded the average market price of the common stock and, therefore, the effects would be antidilutive. The assumed conversion of the remaining 1,184,000 stock options and 665,000 warrants resulted in a 375,420 share increase in weighted average shares for fully diluted earnings per share.

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 useful life of customer lists. Actual results could differ from those estimates.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 - ACQUISITIONS

In accordance with SFAS No. 141, "Business Combinations," acquisitions are accounted for under the purchase accounting method of accounting. Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent 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.

On August 22, 2003, the Company completed a merger with Clayborn, a California corporation. The acquisition of Clayborn gives the Company expertise in engineering and deployment services for specialty communication systems and additional wireless opportunities to pursue.

The aggregate consideration paid by the Company for Clayborn was approximately \$2,929,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for \$900,000 cash consideration and \$61,000 of transaction costs, and 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 due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn.

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$ 134,218
Accounts receivable	575,804
Costs in excess of billings	231,562
Income tax refunds receivable	104,765
Inventory	39,000
Fixed assets	444,126
Backlog	13,500
Customer list	245,000
Other assets	97,669
Goodwill	1,772,806

	3,658,450

Liabilities assumed:	
Accounts payable	(294,992)
Accrued expenses	(136,119)
Notes payable	(184,611)
Deferred tax liability	(113,800)

	(729,522)

Purchase price	\$ 2,928,928
	=====

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

On April 2, 2004, the Company acquired all of the issued and outstanding common stock of Heinz for \$1,000,000, as follows: (1) \$700,000 of the Company's common stock, based on the closing price of our common stock on March 30, 2004 of \$0.98 per share, for an aggregate of 714,286 newly issued shares of the Company's common stock and (2) \$300,000 total cash consideration, of which \$100,000 was paid at closing and a \$200,000 non-interest bearing promissory note. Of the \$200,000, \$75,000 is payable on the first and second anniversaries of the closing date and \$50,000 is payable on the third anniversary of the closing date. The purchase price includes the present value of the note totaling \$182,648, discounted at 5%. The current and long-term discounted maturity of this note is \$71,429 and \$111,219, respectively. Based on the preliminary information currently available, the acquisition resulted in goodwill of approximately \$1,016,000. 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 other intangible assets.

Heinz is a St. Louis, Missouri based provider of in-building wireless infrastructure services for both cellular and WiFi applications, including consulting, integration and installation services for wireless infrastructure. In addition, Heinz has performed fixed wireless services, structured cabling, and cellular base station equipment installation and testing. The acquisition of Heinz gives the Company additional project engineering expertise for wireless infrastructure services, broadens its customer base, and expands its geographical presence in the Midwest.

The preliminary purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$8,052
Accounts receivable	605,435
Costs in excess of billings	103,459
Fixed assets	23,676
Other assets	71,128
Goodwill	1,016,259

	1,828,009

Liabilities assumed:	
Accounts payable	(494,503)
Accrued expenses	(130,694)
Line of credit	(90,000)
Notes payable	(80,942)
Billings in excess of cost	(29,223)

	(825,362)

Purchase price	\$ 1,002,647
	=====

The following unaudited pro forma financial information presents the combined results of operations of the Company, Clayborn and Heinz, as if the acquisition had occurred on May 1, 2003, after giving effect to certain adjustments, including the issuance of the Company's common stock to Clayborn and Heinz as part of the purchase price. The pro forma financial information does not

13
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

necessary reflect the results of operations that would have occurred had the Company, Clayborn and Heinz been a single entity during this period.

<TABLE>
<CAPTION>

	Three months ended July 31, 2003

<S>	<C>
Revenue	\$5,319,398
Net loss	(\$444,510)
Weighted average number of shares used in calculation of basic and diluted net loss per common share	14,793,487
Basic and diluted net loss per common share	(\$0.03)

</TABLE>

For all acquisitions, customer lists are amortized over a period of five years. The Company recorded amortization expense related to customer lists of \$39,000 and \$27,000 for the three months ended July 31, 2004 and 2003, respectively. Any future goodwill impairments are not deductible for income tax purposes.

Costs and estimated earnings on uncompleted contracts consist of the following at July 31, 2004:

	<C>
Costs incurred on uncompleted contracts	\$15,203,824
Estimated contract profit	3,844,653

	19,048,477
Less: billings to date	18,556,754

Net costs in excess	\$491,723
	=====
Costs and estimated earnings in excess of billings	\$2,544,450
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,052,727)

Net costs in excess	\$491,723
	=====

</TABLE>

NOTE 5 - 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. For the three months ended July 31, 2004, \$23,000 was paid as rent for this lease.

14

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In connection with the acquisition of Clayborn, an additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions to the Clayborn shareholders, by payment of 50% of the quarterly post tax profits of Clayborn.

NOTE 6 - LINE OF CREDIT

On October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank, with a borrowing limit up to 70% of eligible Walker accounts receivable. As of July 31, 2004, the borrowing base was \$1,200,000 and the outstanding balance was \$350,000. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment and bears interest at the Wall Street Journal Prime Index Rate plus 1.5% (5.75% as of July 31, 2004). In addition, the Company and certain executive officers of the Company have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on July 30, 2005. Accrued interest is payable monthly.

Effective August 30, 2004, the amount available to Walker was decreased from \$1,200,000 to \$700,000 to support a \$500,000 letter of credit issued in favor of Walker's surety bonding company. Walker was awarded a \$5,000,000 contract in August 2004, which requires performance and payment bonds. In order to provide the bonds, the surety bonding company required a letter of credit for 10% of the total contract award.

In connection with the acquisition of Heinz, the Company assumed a revolving line of credit facility with a commercial bank in the amount of \$200,000. As of July 31, 2004, the borrowing base was \$200,000 and the outstanding balance was \$45,000. The line is collateralized by real estate property owned by the President of Heinz and his personal guarantee, and bears interest at 4.25% as of July 31, 2004. The Company has indemnified the President of Heinz for any personal liability arising from this line of credit facility. This line is subject to annual renewal and matures on November 16, 2004. Accrued interest is payable monthly.

NOTE 7 - STOCK OPTION PLAN

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 (the "2002 Plan"). Under the terms of the 2002 Plan, the options, which expire one to five years after grant, are exercisable at prices equal to the fair market value of the stock at the date of the grant and become exercisable in accordance with terms established at the time of the grant. At July 31, 2004, there were 2,241,525 shares available for grant under the 2002 Plan. No stock options were granted for the three months ended July 31, 2004.

WPCS INTERNATIONAL INCORPORATE AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 would have been as follows:

	Three months ended	
July 31,	2004	
2003	-----	----

<S>	<C>	
<C>		
Net income (loss), as reported (\$122,744)	\$76,375	
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of tax (42,276)	(24,677)	
-----	-----	----
Net income (loss), Pro forma (\$165,020)	\$51,698	
=====	=====	
Basic net income (loss)		
As reported		\$0.00
(\$0.01)		
Pro forma		\$0.00
(\$0.01)		
Diluted net income (loss)		
As reported		\$0.00
(\$0.01)		
Pro forma		\$0.00
(\$0.01)		

</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: Risk-free interest rate range of 2% to 3.6%, dividend yield of 0%, expected life of 5 years and volatility range of 71.6% to 73.2%.

NOTE 8 - SHAREHOLDERS' EQUITY

On June 25, 2003, (and amended July 24, 2003), the Company sold in a private placement, 100 units (the "Units") to accredited investors at a price of \$25,000 per Unit (the "Offering"). Each Unit consisted 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 Company received proceeds of \$2,148,312 from the Offering, net of the placement agent commissions and other issuance costs. The Warrants may be redeemed in whole or in part at the option of the Company for \$0.01, 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 August 13, 2003, all 1,000 Series C Preferred shares were converted into 1,786,000 shares of the Company's Common Stock.

NOTE 9 - SEGMENT REPORTING

The Company's reportable segments are determined based upon the nature of the

services, the external customers and customer industries and the sales and distribution methods used to market the products. The Company has two reportable segments: wireless infrastructure services and specialty communication systems. The Company evaluates performance based upon income (loss) before income taxes. Corporate includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other segments. Corporate assets include cash, prepaid expenses, fixed assets and deferred tax assets.

Segment results as of and for the three months ended July 31, 2004 and 2003 are as follows:

2003	Three Months Ended July 31, 2004				Three Months Ended July 31,		
	Specialty	Wireless	Specialty		Wireless		
Communication	Corporate	Infrastructure	Communication	Total	Corporate	Infrastructure	
	Total						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	-	\$2,456,088	\$4,823,065	\$7,279,153	-	\$620,589	\$2,475,894
\$3,096,483							
Income (loss) before income taxes	(\$402,531)	\$375,179	\$171,083	\$143,731	(\$215,890)	(\$14,401)	\$148,547
(\$81,744)							
Goodwill	-	\$2,648,803	\$5,986,168	\$8,634,971	-	\$1,627,044	\$3,911,838
\$5,538,882							
Total assets	\$148,526	\$5,213,056	\$14,151,554	\$19,513,136	\$955,898	\$3,694,575	\$7,298,805
\$11,949,278							

17

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this Quarterly Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from Management's expectations. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for products distributed by the Company and services offered by competitors, as well as general conditions of the telecommunications marketplace.

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. We provide a range of specialty communication services including project management, site design, structured cabling, product integration, network security, and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

As a result of the acquisitions of Invisinet, Inc. on November 13, 2002 and Walker Comm, Inc. on December 31, 2002, we experienced significant growth in our overall business and commenced operations in two segments, specialty communication systems and wireless infrastructure services. With the acquisition of Clayborn Contracting Group, Inc. and Heinz Corporation in fiscal 2004, we experienced additional growth in each of each of these segments, respectively.

Results of Operations

Management currently considers the following events, trends and uncertainties to be important to understand its results of operations and financial condition:

- o For the three months ended July 31, 2004, revenue was approximately \$7.3 million compared to \$3.1 million for the same period a year ago. The increase in revenue was attributed to strategic acquisitions of approximately \$2.2 million and from organic growth of approximately \$2.0 million.

- o The Company operates in two segments, specialty communication systems and wireless infrastructure services. With the acquisition of Clayborn in the second quarter of fiscal 2004, and Heinz in the fourth quarter of fiscal 2004, we experienced additional expansion of the specialty communication and wireless infrastructure segments, respectively.
- o For the three months ended July 31, 2004, the specialty communication segment represents approximately 66% of total revenue, and wireless infrastructure services represent approximately 34% of total revenue.
- o Furthermore, we plan to evaluate additional acquisition opportunities in fiscal 2005 in an attempt to build out a national, strategically located workforce that will allow our segments to leverage, to the

18

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

extent feasible, related internal synergies, and to take advantage of expected growth in the wireless infrastructure and specialty communication markets.

- o As of July 31, 2004, our backlog is approximately \$14.5 million. Our backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts or purchase orders. We expect this backlog to be fully recognized as revenue within the next twelve months.
- o Our selling, general and administrative expenses decreased as a percentage of revenue for the three months ended July 31, 2004, as compared to the same period in the prior year.

THREE MONTHS ENDED JULY 31, 2004

Consolidated results for the three months ended July 31, 2004 and 2003 are as follows.

<TABLE>
<CAPTION>

	Three Months Ended			
	2004		July 31, 2003	
<S>	<C>	<C>	<C>	<C>
REVENUE	\$7,279,153	100%	\$3,096,483	100%
COSTS AND EXPENSES:				
Cost of revenue	5,255,474	72%	2,029,246	66%
Selling, general and administrative expenses	1,756,804	24%	1,084,183	35%
Depreciation and amortization	122,031	2%	63,682	2%
Total costs and expenses	7,134,309	98%	3,177,111	103%
OPERATING INCOME (LOSS)	144,844	2%	(80,628)	-3%
OTHER EXPENSE:				
Interest expense	1,113	0%	1,116	0%
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	143,731	2%	(81,744)	-3%
Income tax provision	(67,356)	-1%	(41,000)	-1%
NET INCOME (LOSS)	\$76,375	1%	(\$122,744)	-4%

</TABLE>
Revenue

We generate our revenue by providing project engineering and deployment services for specialty communication systems, wireless fidelity (WiFi) and fixed wireless systems. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements. We record profits on these projects on a percentage-of-completion

19
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Revenue for the three months ended July 31, 2004 was approximately \$7,279,000, as compared to \$3,096,000 for the three months ended July 31, 2003. The increase in revenue during the quarter ended July 31, 2004, compared to the same period in the prior year is a result of the acquisitions of Clayborn and Heinz, which accounted for approximately \$2.2 million in total revenue for the quarter. Approximately \$2.0 million of the increase in revenue over the prior year was due to internal growth from Walker and Invisinet.

Total revenue from the specialty communication segment for the three months ended July 31, 2004 and 2003 was approximately \$4,823,000 or 66.3% and \$2,476,000 or 80.0% of total revenue, respectively. Wireless infrastructure segment revenue for the three months ended July 31, 2004 and 2003 was approximately \$2,456,000 or 33.7% and \$620,000 or 20.0% of total revenue, respectively.

Cost of Revenue

In the case of the wireless infrastructure segment, cost of revenue consists of component material costs, direct labor costs and costs incurred for third party sub-contractor services. For the specialty communication segment, cost of revenue consists of direct costs on contracts, including materials, labor, and other overhead costs. Our cost of revenue was approximately \$5,255,000 or 72% of revenue for the three months ended July 31, 2004, compared to \$2,029,000 or 66% for the same period of the prior year. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue as a result of the acquisitions of Clayborn and Heinz and from the internal growth in revenue from Walker and Invisinet. The increase in cost of revenue as a percentage of revenue is due to the revenue mix as a result of the recent acquisitions.

The specialty communication segment cost of revenue and cost of revenue as a percentage of revenue for the three months ended July 31, 2004 and 2003 was approximately \$3,463,000 and 71.8% and \$1,594,000 and 64.4%, respectively. Wireless infrastructure segment cost of revenue and cost of revenue as a percentage of revenue for the three months ended July 31, 2004 and 2003 was approximately \$1,793,000 and 73.0% and \$435,000 and 70.1%, respectively.

Selling, general and administrative expenses

For the three months ended July 31, 2004, total selling, general and administrative expenses were \$1,757,000, or 24.1% of total revenue compared to \$1,084,000 or 35.0% of revenue for the same period in the prior year. The percentage decrease is due to the management of our cost structure as we leverage incremental revenue dollars in fiscal 2005. Included in selling, general and administrative expenses for the three months ended July 31, 2004 are \$701,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the same period in the prior year is due to the increase in headcount as a result of the acquisitions of Clayborn and Heinz. In addition, Walker employs union employees for whom it incurred \$363,000 in union benefits during the quarter. Professional fees were \$189,000, which include accounting, legal and investor relation fees. Insurance costs were \$166,000 and rent for office facilities was \$66,000. Other selling, general and administrative expenses totaled \$272,000. For the three months ended July 31,

20
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

2004, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were \$1,090,000 and \$267,000, respectively.

For the three months ended July 31, 2003, selling, general and administrative expenses were \$1,084,000 or 35.0% of revenue. Included in the selling, general and administrative expenses were \$354,000 for salaries, commissions and payroll taxes, \$197,000 in professional fees, \$227,000 in union benefits, insurance costs of \$129,000. Rent for our office facilities amounted to \$48,000. Other selling, general and administrative expenses totaled \$129,000. For the three months ended July 31, 2003, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were \$679,000 and \$249,000, respectively.

Depreciation and amortization

For the three months ended July 31, 2004 and 2003, depreciation was approximately \$83,000 and \$37,000, respectively. The increase in depreciation is due to the acquisition of fixed assets on acquiring Clayborn and Heinz. The amortization of customer lists for the three months ended July 31, 2004 was \$39,000 as compared to \$27,000 for the same period of the prior year. The increase in amortization is due to the acquisition of additional customer lists from Clayborn. All customer lists are being amortized over a period of five years from the date of their acquisition.

Net income (loss)

Net income was approximately \$76,000 for the three months ended July 31, 2004. Net income included income tax expense of approximately \$67,000 to provide for federal and state income taxes and certain book-to-tax permanent differences.

We incurred a net loss of approximately \$123,000 for the three months ended July 31, 2003.

Liquidity and capital resources

At July 31, 2004, we had working capital of \$2,383,000, which consisted of current assets of approximately \$9,116,000 and current liabilities of \$6,733,000.

Operating activities used \$1,240,000 in cash during the three months ended July 31, 2004. This was mainly comprised of \$76,000 of net income plus \$19,000 in net non-cash charges, a \$203,000 decrease in accounts receivable, \$164,000 increase in income taxes payable, offset by a \$421,000 increase in costs and estimated earnings in excess of billings on uncompleted contracts, \$1,153,000 decrease in accounts payable and accrued expenses, \$110,000 decrease in billings in excess of costs and estimated earnings on uncompleted contracts payable and a \$18,000 net increase in other assets.

21

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The decrease in accounts payable was due primarily to contract materials purchased and invoiced to the Company in the fourth quarter of fiscal 2004, which were paid in the first quarter of fiscal 2005.

Our investing activities utilized \$85,000 in cash, which consisted of \$65,000 paid for property and equipment and \$20,000 of acquisition earn-out payments and other acquisition transaction costs.

Our financing activities utilized cash of \$194,000 during the three months ended July 31, 2004. Financing activities included repayments on lines of credit of \$156,000, repayment of equipment loans and capital lease obligations of approximately \$12,000, and additional equity issuance costs of approximately \$26,000.

Our capital requirements depend on numerous factors, including the market for our 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. To address our working capital needs and growth in our revenue and customer base, on October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank with a borrowing limit up to 70% of eligible Walker accounts receivable. As of July 31, 2004, the borrowing base was \$1,200,000 and the outstanding balance was \$350,000. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment, and bears interest at the Wall Street Journal Prime Index Rate plus 1.5% (5.75% as of July 31, 2004). In addition, the Company and certain executive officers of ours have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on July 30, 2005. Effective August 30, 2004, the amount available to Walker was decreased from \$1,200,000 to \$700,000 to support a \$500,000 letter of credit issued in favor of Walker's surety bonding company. Walker was awarded a \$5,000,000 contract in August 2004, which requires performance and payment bonds. In order to provide the bonds, the surety bonding company required a letter of credit for 10% of the total contract award.

In connection with the acquisition of Heinz, we assumed a revolving credit line facility with a commercial bank in the amount of \$200,000, and the outstanding balance was \$45,000 at July 31, 2004. The line of credit is collateralized by real estate property owned by the President of Heinz and his personal guarantee, and bears interest at 4.25% as of July 31, 2004. The Company indemnified the President of Heinz for any personal liability arising from this line of credit facility. This line is subject to annual renewal and matures November 16, 2004.

At July 31, 2004, we had cash and cash equivalents of \$466,000, working capital of approximately \$2,400,000 and revolving lines of credit available of \$1,005,000. Accordingly, we believe that these internally available funds will provide us sufficient capital to meet our needs through July 31, 2005. These

funding needs include working capital and capital expenditures, and the expected payment of quarterly distributions of post tax profits to Clayborn shareholders for the next twelve months. The total distribution to Clayborn shareholders is \$1,100,000, which is due by September 30, 2007. Our future operating results may be affected by a number of factors including our success in bidding on future contracts and our continued ability to manage controllable costs effectively. To the extent we grow by future acquisitions that involve consideration other than stock, our cash requirements may increase.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

We will continue to explore opportunities to raise additional funds on acceptable terms for a number of uses. We may not be able to obtain additional funds on acceptable terms, or at all. Additional capital resources would be devoted to search for, investigate and potentially acquire new companies that have a strategic fit. In connection with a potential acquisition, we would also expect to issue additional common stock equity or convertible debt securities, which may result in additional dilution to our shareholders.

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. While all these significant accounting policies impact its financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our 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 revenue 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.

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.

Our impairment review is based on comparing the fair value to the carrying value of 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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

incorporates our estimates of future revenue 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.

Revenue recognition

We generate our revenue by providing project engineering and installation services for specialty communication systems, including wireless fidelity (WiFi) and fixed wireless deployment. We provide a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

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

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

Recently issued accounting pronouncements

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. The adoption of this statement did not have a material impact on our consolidated financial position, results of operations or cash flows.

24

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 us 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 us in this report and in our 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. We undertake 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. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions.

25

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

ITEM 3. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures. As of July 31, 2004,

the Company's management carried out an evaluation, under the supervision of the Company's Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company's system of disclosure controls and procedures pursuant to the Securities and Exchange Act , Rule 13a-15(d) and 15d-15(d) under the Exchange Act. Based upon that evaluation, , the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by the Company under the Securities Exchange Act of 1934.

- b) Changes in internal controls. There were no changes in the Company's internal controls over financial reporting, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially effect, the Company's internal control over financial reporting.

26

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

From time to time the Company is subject to litigation incidental to its business. Such claims, if successful, could exceed applicable insurance coverage. The Company is not currently a party to any material legal proceedings.

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5 OTHER INFORMATION

Not applicable.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

31.1 - Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

31.2 - Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended

32.1 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)

32.2 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

(b) Reports on Form 8-K.

Report on Form 8-K/A, dated June 4, 2004
Report on Form 8-K, dated June 8, 2004

27

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

Date: September 20, 2004

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer

I, Andrew Hidalgo, the Chief Executive Officer of WPCS International Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of WPCS International Incorporated;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The small business issuer's other certifying officer 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 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures 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
- c) 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 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 small business issuer's board of directors (or persons performing 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.

Date: September 20, 2004

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

I, Joseph Heater, the Chief Financial Officer of WPCS International Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of WPCS International Incorporated;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The small business issuer's other certifying officer 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 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures 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
- c) 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 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 small business issuer's board of directors (or persons performing 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.

Date: September 20, 2004

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial 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 Quarterly report of WPCS International Incorporated (the "Company") on Form 10-QSB for the period ending July 31, 2004 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.

Date: September 20, 2004

By: /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 Quarterly report of WPCS International Incorporated (the "Company") on Form 10-QSB for the period ending July 31, 2004 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.

Date: September 20, 2004

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer