As filed with the Securities and Exchange Commission on February 7, 2006

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

WPCS INTERNATIONAL INCORPORATED

(Name of small business issuer in its charter)

Delaware	**4899**	**98-0204758**
(State or other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

One East Uwchlan Avenue
Suite 301
Exton, PA 19341
(610) 903-0400
(Address and telephone number of principal executive offices and principal place of business)

Andrew Hidalgo, Chief Executive Officer
One East Uwchlan Avenue
Suite 301
Exton, PA 19341
(610) 903-0400
(Name, address and telephone number of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

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Approximate date of proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Price per Security (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
Common stock, $0.0001 par value	2,300,000 shares (2)	$11.915	$27,404,500	$2,932.28

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based upon $11.915, the average of the high and low sale prices of the registrant's common stock as reported on the NASDAQ Capital Market on February 2, 2006.

(2) Includes up to 300,000 shares attributable to shares of common stock that may be purchased by the underwriters under an option to purchase additional shares to cover over-allotments, if any.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject To Completion, Dated , 2006

Preliminary Prospectus

2,000,000 Shares

WPCS International Incorporated

Common Stock

We are offering 2,000,000 shares of our common stock. We have granted the underwriter a 30-day option to purchase up to an additional 300,000 shares to cover over-allotments.

Our common stock is traded on the NASDAQ Capital Market under the symbol “WPCS.” We will apply to have our common stock approved for quotation on the NASDAQ National Market under the symbol “WPCS” to be effective upon completion of this offering. No assurances can be given that our common stock will be approved for quotation on the NASDAQ National Market. On February 6, 2006, the last reported sale price of our common stock on the NASDAQ Capital Market was $12.05 per share.

Investing in these securities involves significant risks. See “Risk Factors” beginning on page 5.

	Per Share	Total
Public Offering Price........	$	$
Underwriting discount........	$	$
Proceeds to WPCS, before expenses........	$	$

The underwriters expect to deliver the shares on or about , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

PUNK, ZIEGEL & COMPANY

The date of this prospectus is , 2006.

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You should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized anyone to provide you with information that is different. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

All information contained herein relating to shares and per share data has been adjusted to reflect a 1:12 stock split effected on January 10, 2005.

All references herein to our fiscal year and our fiscal year end represent the twelve months ended April 30 and April 30, respectively, and all references herein to our fiscal quarters ended refer to July 31, October 31 and January 31, as appropriate.

This prospectus includes market and industry data that we obtained from internal research, publicly available information and industry publications. Our internal research is based on management's understanding of industry conditions and has not been verified by any independent sources. Industry publications generally stated that the information they contain has been obtained from sources believed to be reliable. Neither we nor the underwriter make any representation as to the accuracy of such information.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and accompanying notes included elsewhere in this prospectus, before making an investment decision. Unless the context clearly indicates otherwise, references in this prospectus to "we," "us," "our" and "WPCS" refer to WPCS International Incorporated and its subsidiaries on a consolidated basis.

Our Company

WPCS International Incorporated designs and deploys wireless networks. We provide design-build engineering services for specialty communication systems and wireless infrastructure. Specialty communication systems are wireless networks designed to improve productivity for a specified application by communicating data, voice or video information in situations where land line networks are non-existent, more difficult to deploy or too expensive. Wireless infrastructure services include the engineering, installation, integration and maintenance of wireless carrier equipment.

Wireless technology has advanced substantially to the point where wireless networks have proven to be an effective alternative to land line networks, a key factor in its broad acceptance. We believe the use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. Demand for wireless data services is accelerating the adoption of new technologies that enable wireless networks to deliver enhanced features and capabilities. These new technologies have increased the complexity of wireless systems, and created demand for the services of companies such as ours with specialized skills to address that complexity.

With seven offices across the United States, we provide our services to our customers nationwide. Because we are technology and vendor independent, we can integrate multiple products and services across a variety of communication requirements, creating the most appropriate solution for our customers. Wireless communication is primarily achieved through radio frequency, or RF, signals. We have extensive experience in RF engineering, a necessary skill in designing wireless networks free from interference with other signals and amplified sufficiently to carry data, voice or video with speed, accuracy and reliability. We believe the strength of our experience in the design and deployment of specialty communication systems gives us a competitive advantage, and has supported our rapid growth, both organically and through acquisitions.

Our goal is to become a recognized leader in the design and deployment of wireless networks for specialty communication systems and wireless infrastructure. For the fiscal year ended April 30, 2005, we generated revenues of $40.1 million, an increase of 81.9% from the fiscal year ended April 30, 2004. For the six months ended October 31, 2005, we generated revenues of $26.4 million, an increase of 50.3% over the comparable period in 2004, and net income of $1.1 million, an approximate tenfold increase over the comparable period in 2004. Our backlog at October 31, 2005 was approximately $19 million.

Our Strategy

Our strategy focuses on both organic growth and the pursuit of acquisitions that add to our engineering capacity and geographic coverage. Specifically, we will endeavor to:

- Increase customer awareness by marketing the full range of our services to our customers;
- Maintain and expand our focus in existing vertical markets such as public safety and gaming, and develop expertise in new vertical markets;
- Strengthen our relationships with technology providers whose products offer benefits to our customers; and
- Seek strategic acquisitions of compatible businesses that can be assimilated into our organization and that will add accretive earnings to our business.

Our Customers

Our customers include corporations, government entities and educational institutions. In our specialty communication systems segment, we believe our design and deployment of innovative wireless networks specific to the needs of customers in certain vertical markets has brought us recognition in these markets. We have worked with public safety customers such as the California Department of Transportation, or CALTRANS, gaming customers such as Bally's, and healthcare customers such as Wake Forest University Baptist Hospital. In our wireless infrastructure services segment, our customers are major wireless service providers such as Sprint Nextel.

Risks Affecting Us

Our business is subject to numerous risks, as discussed more fully in the section entitled "Risk Factors" immediately following this prospectus summary, including:

- Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows down, our revenues may decrease and our ability to continue operating profitably may be harmed;
- We have a limited history of profitability which may not continue;
- If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results may vary from our assumptions, which may reduce our profitability or impair our financial performance;
- Failure to properly manage projects may result in unanticipated costs or claims;
- The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain;
- Our business depends upon our ability to keep pace with the latest technological changes, the failure to which could make us less competitive in our industry;
- Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business;
- If we are unable to identify and complete future acquisitions, we may be unable to continue our growth;
- Future acquired companies could be difficult to assimilate, disrupt our business, diminish stockholder value and adversely affect our operating results;
- We derive a significant portion of our revenues from a limited number of customers, the loss of which would significantly reduce our revenues; and
- Amounts included in our backlog may not result in actual revenue or translate into profits.

Our Corporate Information

We have five operating subsidiaries: Clayborn Contracting Group, Inc., a California corporation; Heinz Corporation, a Missouri corporation; Invisinet, Inc., a Delaware corporation; Quality Communications & Alarm Company, Inc., a New Jersey corporation; and Walker Comm, Inc., a California corporation. References in this prospectus to Clayborn, Heinz, Invisinet, Quality and Walker Comm refer to these companies, respectively.

Our principal executive offices are located at One East Uwchlan Avenue, Suite 301, Exton, Pennsylvania 19341, and our telephone number is (610) 903-0400. We are a Delaware corporation. We maintain a website at www.wpcs.com and the information contained on that website is not deemed to be a part of this prospectus.

The Offering

Common stock offered by us (1)	2,000,000 shares
Shares outstanding prior to the offering (2)	4,251,236 shares as of February 3, 2006
Shares to be outstanding after the offering (1) (2)	6,251,236 shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million. We intend to use these net proceeds for general corporate purposes, which may include potential strategic acquisitions and/or investments or repayment of all or a portion our existing bank debt, and for working capital. We have not entered into any binding commitments or agreements with respect to any potential strategic acquisition or investment and no assurances can be given that we will be able to identify a potential acquisition on terms we deem favorable.
NASDAQ Capital Market symbol	WPCS. We will apply to have our common stock approved for quotation on the NASDAQ National Market under the symbol "WPCS" to be effective upon completion of this offering. No assurances can be given that our common stock will be approved for quotation on the NASDAQ National Market.

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(1) Assuming no exercise by the underwriter of its over-allotment option to purchase an additional 300,000 shares of common stock from us.

(2) Excludes 793,704 shares issuable upon the exercise of outstanding stock options at prices ranging from $4.80 to $19.92 and 2,141,771 shares issuable upon the exercise of outstanding warrants at prices ranging from $8.40 to $10.80.

Summary Consolidated Financial Information

The statements of operations data for the two fiscal years ended April 30, 2004 and 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The statements of operations data for the six months ended October 31, 2004 and 2005 and the balance sheet data as of October 31, 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, which consist only of normal recurring adjustments, necessary to present fairly in all material respects the information included in those statements. Our results of operations for the six months ended October 31, 2005 may not be indicative of results that may be expected for the fiscal year ending April 30, 2006. The data presented below have been derived from consolidated financial statements that have been prepared in accordance with generally accepted accounting principles and should be read in conjunction with our consolidated financial statements, including the notes, included elsewhere in this prospectus, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

	Year Ended April 30,		Six Months Ended October 31, (Unaudited)	
	2004	2005	2004	2005
Revenue	$ 22,076,246	$ 40,148,233	$ 17,574,419	$ 26,421,882
Costs and expenses:				
Cost of revenue	17,286,099	32,445,470	14,224,298	19,469,223
Selling, general and administrative expenses	4,441,776	7,028,850	2,911,112	4,615,608
Depreciation and amortization	382,510	682,397	246,693	421,060
Total costs and expenses	22,110,385	40,156,717	17,382,103	24,505,891
Operating (loss) income	(34,139)	(8,484)	192,316	1,915,991
Interest expense	14,048	24,702	12,763	94,800
(Loss) income before income tax provision	(48,187)	(33,186)	179,553	1,821,191
Income tax provision	76,000	52,096	71,895	721,108
Net (loss) income	$ (124,187)	$ (85,282)	$ 107,658	$ 1,100,083
Basic net (loss) income per common share	$ (0.08)	$ (0.03)	$ 0.06	$ 0.29
Diluted net (loss) income per common share	$ (0.08)	$ (0.03)	$ 0.06	$ 0.29
Shares used in net (loss) income per share calculation:				
Basic	1,521,697	2,679,529	1,737,498	3,837,689
Diluted	1,521,697	2,679,529	1,804,162	3,846,313

	As of October 31, 2005 (Unaudited)	
	Actual	As Adjusted
Balance sheet data:		
Cash and cash equivalents	$ 1,800,224	$
Working capital	9,441,772	
Total assets	34,345,110	
Total liabilities	12,589,934	
Total shareholders' equity	21,755,176	

(1) The as adjusted balance sheet data as of October 31, 2005 gives effect to the receipt of net proceeds of $ million from the sale of 2,000,000 shares of common stock offered by this prospectus, after deducting the underwriter's discount and estimated offering expenses payable by us.

RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. As a result, you could lose all or a part of your investment.

Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows down, our revenues may decrease and our ability to continue operating profitably may be harmed.

Customers are constantly re-evaluating their network deployment plans in response to trends in the capital markets, changing perceptions regarding industry growth, the adoption of new wireless technologies, increasing pricing competition and general economic conditions in the United States and internationally. If the rate of network deployment growth slows and customers reduce their capital investments in wireless technology or fail to expand their networks, our revenues and profits, if any, could be reduced.

We have a limited history of profitability which may not continue.

While we had net income of approximately $1.1 million for the six months ended October 31, 2005, we incurred net losses of approximately $85,000 and $124,000 for the fiscal years ended April 30, 2005 and 2004, respectively. There can be no assurance that we will sustain profitability or generate positive cash flow from operating activities in the future. If we cannot achieve operating profitability or positive cash flow from operating activities, we may not be able to meet our working capital requirements. If we are unable to meet our working capital requirements, we may need to reduce or cease all or part of our operations.

If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results may vary from our assumptions, which may reduce our profitability or impair our financial performance.

A substantial portion of our revenue is derived from fixed price contracts. Under these contracts, we set the price of our services on an aggregate basis and assume the risk that the costs associated with our performance may be greater than we anticipated. We recognize revenue and profit on these contracts as the work on these projects progresses on a percentage-of-completion basis. Under the percentage-of-completion method, contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

The percentage-of-completion method therefore relies on estimates of total expected contract costs. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Contract revenue and total cost estimates are reviewed and revised periodically as the work progresses, such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Adjustments are reflected in contract revenue for the fiscal period affected by these revised estimates. If estimates of costs to complete long-term contracts indicate a loss, we immediately recognize the full amount of the estimated loss. Such adjustments and accrued losses could result in reduced profitability and liquidity.

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

Our wireless network engagements may involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. Any defects or errors or failure to meet customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we would incur, which could exceed revenues realized from a project.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain.

Other than the technical skills required in our business, the barriers to entry in our business are relatively low. We do not have any intellectual property rights to protect our business methods and business start-up costs do not pose a significant barrier to entry. The success of our business is dependent on our employees, customer relations and the successful performance of our services. If we face increased competition as a result of new entrants in our markets, we could experience reduced operating margins and loss of market share and brand recognition.

Our business depends upon our ability to keep pace with the latest technological changes, the failure to which could make us less competitive in our industry.

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

Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business.

Our success depends upon our attracting and retaining skilled engineering personnel. Competition for such skilled personnel in our industry is high and at times can be extremely intense, especially for engineers and project managers, and we cannot be certain that we will be able to hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. Additionally, we cannot be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service a major contract, particularly if the market for related personnel is competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which could reduce our operating margins, reduce our earnings and possibly harm our results of operations. If we are unable to obtain major contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and we may experience a drop in net income.

If we are unable to identify and complete future acquisitions, we may be unable to continue our growth.

Since November 1, 2002, we have acquired five companies and we intend to further expand our operations through targeted strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities. Even if we identify favorable acquisition targets, there is no guarantee that we can acquire them on reasonable terms or at all. If we are unable to complete attractive acquisitions, the growth that we have experienced over the last three fiscal years may decline.

Future acquired companies could be difficult to assimilate, disrupt our business, diminish stockholder value and adversely affect our operating results.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. Our failure to manage future acquisitions successfully could seriously harm our operating results. Also, acquisitions could cause our quarterly operating results to vary significantly. Furthermore, our stockholders would be diluted if we financed the acquisitions by issuing equity securities. In addition, acquisitions expose us to risks such as undisclosed liabilities, increased indebtedness associated with an acquisition and the potential for cash flow shortages that may occur if anticipated financial performance is not realized or is delayed from such acquired companies.

We derive a significant portion of our revenues from a limited number of customers, the loss of which would significantly reduce our revenues.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. To the extent that any significant customer uses less of our services or terminates its relationship with us, our revenues could decline significantly. As a result, the loss of any significant customer could seriously harm our business. For the six months ended October 31, 2005, we had two separate customers which accounted for 16.6% and 12.7% of our revenues. For the fiscal year ended April 30, 2005, we had one customer which accounted for 15.5% of our revenues. Other than under existing contractual obligations, none of our customers is obligated to purchase additional services from us. As a result, the volume of work that we perform for a specific customer is likely to vary from period to period, and a significant customer in one period may not use our services in a subsequent period.

Amounts included in our backlog may not result in actual revenue or translate into profits.

As of October 31, 2005, we had a backlog of unfilled orders of approximately $19 million. This backlog amount is based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. In addition, contracts included in our backlog may not be profitable. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience delays or cancellations in the future. If our backlog fails to materialize, we could experience a reduction in revenue, profitability and liquidity.

Our business could be affected by adverse weather conditions, resulting in variable quarterly results.

Adverse weather conditions, particularly during the winter season, could affect our ability to perform outdoor services in certain regions of the United States. As a result, we might experience reduced revenue in the third and fourth quarters of our fiscal year. Natural catastrophes such as the recent hurricanes in the United States could also have a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which in turn could significantly impact the results of any one or more of our reporting periods.

Our management will have broad discretion in allocating the net proceeds from this offering, and the failure of our management to apply the net proceeds from this offering effectively could harm our business.

We currently intend to use the net proceeds from the sale of the common stock offered hereby for general corporate purposes, which may include potential strategic acquisitions and/or investments or repayment of all or a portion our existing bank debt, and for working capital. We have not determined the amount of net proceeds from the sale of our common stock in this offering that we will use for any of these purposes. Accordingly, our management will retain broad discretion as to the allocation of the net proceeds of this offering. The failure of management to apply these funds effectively could negatively impact our business.

If we are unable to retain the services of Messrs. Hidalgo, Schubiger, Heinz or Walker, our operations could be disrupted.

Our success depends to a significant extent upon the continued services of Mr. Andrew Hidalgo, our Chief Executive Officer and Messrs. Richard Schubiger, James Heinz and Donald Walker, our Executive Vice Presidents. Mr. Hidalgo has overseen our company since inception and provides leadership for our growth and operations strategy. Messrs. Schubiger, Heinz and Walker run the day-to-day operations of Quality, Heinz and Walker Comm, respectively. Loss of the services of Messrs. Hidalgo, Schubiger, Heinz or Walker could disrupt our operations and harm our growth, revenues, and prospective business. We do not maintain key-man insurance on the lives of Messrs. Hidalgo, Schubiger, Heinz or Walker.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, with certain projects requiring large numbers of engineers. Over 40% of our workforce is unionized. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct our business. If we are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Any of these events could be disruptive to our operations and could result in negative publicity, loss of contracts and a decrease in revenues.

We may incur goodwill impairment charges in our reporting entities which could harm our profitability.

In accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets," we periodically review the carrying values of our goodwill to determine whether such carrying values exceed the fair market value. All five of our acquired companies, Clayborn, Invisinet, Heinz, Quality and Walker Comm, each of which is a reporting unit, are subject to annual review for goodwill impairment. If impairment testing indicates that the fair value of a reporting unit exceeds it carrying value, the goodwill of the reporting unit is deemed impaired. Accordingly, an impairment charge would be recognized for that reporting unit in the period identified, which could reduce our profitability.

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

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

- the timing and size of network deployments and technology upgrades by our customers;
- fluctuations in demand for outsourced network services;
- the ability of certain customers to sustain capital resources to pay their trade accounts receivable balances and required changes to our allowance for doubtful accounts based on periodic assessments of the collectibility of our accounts receivable balances;
- reductions in the prices of services offered by our competitors;
- our success in bidding on and winning new business; and
- our sales, marketing and administrative cost structure.

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

Our stock price may be volatile, which may result in lawsuits against us and our officers and directors.

The stock market in general, and the stock prices of technology and telecommunications companies in particular, have experienced volatility that has often been unrelated to or disproportionate to the operating performance of those companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Between February 1, 2005 and February 1, 2006, our common stock has traded as low as $4.32 and as high as $12.78 per share, based upon information obtained from inter-dealer quotations on the OTC Bulletin Board for the period from February 1, 2005 until March 24, 2005 and information provided by NASDAQ Capital Market for the period from March 27, 2005 until February 1, 2006. Factors which could have a significant impact on the market price of our common stock include, but are not limited to, the following:

- quarterly variations in operating results;
- announcements of new services by us or our competitors;
- the gain or loss of significant customers;
- changes in analysts' earnings estimates;
- rumors or dissemination of false information;
- pricing pressures;
- short selling of our common stock;
- impact of litigation;
- general conditions in the market;
- changing the exchange or quotation system on which we list our common stock for trading;
- political and/or military events associated with current worldwide conflicts; and
- events affecting other companies that investors deem comparable to us.

Companies that have experienced volatility in the market price of their stock have frequently been the object of securities class action litigation. Class action and derivative lawsuits could result in substantial costs to us and a diversion of our management's attention and resources, which could materially harm our financial condition and results of operations.

Future changes in financial accounting standards may adversely affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. For example, in December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), "Share-Based Payment," a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," which requires companies to expense all employee stock options and other share-based payments over the service period. Implementation of this standard as required during the first fiscal quarter of our fiscal year 2007 may impair our ability to use equity compensation to attract and retain skilled personnel. It is likely that we will have to recognize additional compensation expense in the periods after adoption of this standard.

New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

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

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, newly enacted SEC regulations and NASDAQ Stock Market rules, have created additional burdens for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards. This investment will result in increased general and administrative costs and a diversion of management time and attention from revenue-generating activities to compliance activities.

We can issue shares of preferred stock without stockholder approval, which could adversely affect the rights of common stockholders.

Our certificate of incorporation permits us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common stockholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

There may be an adverse effect on the market price of our shares as a result of shares being available for sale in the future.

As of February 3, 2006, holders of our outstanding options and warrants have the right to acquire 2,935,475 shares of common stock issuable upon the exercise of stock options and warrants, at exercise prices ranging from $4.80 to $19.92 per share, with a weighted average exercise price of $8.37. The sale or availability for sale in the market of the shares underlying these options and warrants could depress our stock price. We have registered substantially all of the underlying shares described above for resale. Holders of registered underlying shares may resell the shares immediately upon issuance upon exercise of an option or warrant.

If our stockholders sell substantial amounts of our shares of common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock may decline. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million from the sale of 2,000,000 shares in this offering (based upon the last reported sale price of our common stock on , 2006), after deducting the underwriting discount and estimated offering expenses. If the underwriter's over-allotment option is exercised in full, we estimate that we will receive an additional $ million in net proceeds. We intend to use the net proceeds for general corporate purposes, which may include potential strategic acquisitions and/or investments or repayment of all or a portion our existing bank debt, and for working capital. We have not entered into any binding commitments or agreements with respect to any potential strategic acquisition or investment and no assurances can be given that we will be able to identify a potential acquisition on terms we deem favorable. Pending these uses, the net proceeds will be invested in investment-grade, interest-bearing securities.

On June 3, 2005, we entered into a credit agreement with Bank Leumi USA under which we borrowed $3,000,000 under a $5,000,000 revolving line of credit. As of January 31, 2006, we had outstanding $3,000,000 in loans under the credit agreement, which mature on August 31, 2008. Loans under the credit agreement bear interest at a rate equal to either the bank's reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as we may request. As of January 31, 2006, the interest rate was 7.1875%. We used the initial funds provided by the loan to repay existing bank debt at Walker Comm of approximately $672,000, for the payment of approximately $758,000 to the former stockholders of our Quality subsidiary for monies due to them under the terms of the purchase of their company, and for working capital.

PRICE RANGE OF COMMON STOCK

Our common stock is currently traded on the NASDAQ Capital Market under the symbol “WPCS.” Between January 10, 2005 and March 24, 2005, our stock traded on the OTC Bulletin Board under the symbol “WPCI.” Prior to January 10, 2005, our stock traded on the OTC Bulletin Board under the symbol “WPCS.”

For the period from May 1, 2003 to March 24, 2005, the table sets forth prices based upon information obtained from inter-dealer quotations on the OTC Bulletin Board without retail markup, markdown, or commission and may not necessarily represent actual transactions. For the period from March 27, 2005 to date, the following table sets forth the high and low closing sale prices of our common stock as reported by the NASDAQ Capital Market.

Period	High	Low
Fiscal Year Ended April 30, 2004:		
First Quarter	$ 22.56	$ 4.68
Second Quarter	20.76	12.24
Third Quarter	20.40	10.92
Fourth Quarter	17.28	10.80
Fiscal Year Ended April 30, 2005:		
First Quarter	$ 14.88	$ 7.80
Second Quarter	11.28	5.76
Third Quarter	8.28	4.32
Fourth Quarter	7.80	4.50
Fiscal Year Ending April 30, 2006:		
First Quarter	$ 9.18	$ 4.32
Second Quarter	9.03	5.58
Third Quarter	12.78	6.12
Fourth Quarter, through February 6, 2006	12.50	11.33

On February 6, 2006, the closing sale price of our common stock, as reported by the NASDAQ Capital Market, was $12.05 per share. On February 3, 2006, there were 65 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Under our credit agreement dated June 3, 2005, we are prohibited from declaring or paying dividends, except stock dividends, or making any other distribution. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

CAPITALIZATION

The following table sets forth our unaudited actual and as adjusted capitalization at October 31, 2005. The as adjusted column gives effect to the sale of 2,000,000 newly issued shares of common stock in this offering, based on an offering price of $ per share (based upon the last reported sale price of our common stock on , 2006) and the receipt of net proceeds of approximately $ after deducting the underwriting discount and estimated offering expenses payable by us.

	October 31, 2005	
	Actual	As Adjusted
	(Unaudited)	
Cash and cash equivalents	$ 1,800,224	$
Debt:		
Loans payable (1)	$ 497,550	$ 497,550
Borrowings under line of credit	3,000,000	3,000,000
Total debt	3,497,550	3,497,550
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; 3,883,885 shares issued and outstanding (actual); and 5,883,885 shares issued and outstanding (as adjusted)	388	
Additional paid-in capital	21,407,234	
Retained earnings	347,554	347,554
Total shareholders' equity	21,755,176	
Total capitalization	$ 25,252,726	$

(1) Loans payable represent the current and long term portion of vehicle loans.

The number of shares of common stock immediately outstanding after this offering is based on 3,883,885 shares issued and outstanding as of October 31, 2005 on an actual basis and excludes:

- 800,154 shares of common stock issuable upon exercise of stock options at a weighted average exercise price of $7.15 per share;
- 20,000 shares available for grant under our 2006 incentive stock plan; and
- 2,509,671 shares of common stock issuable upon exercise of warrants at a weighted average exercise price of $8.77 per share.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The statements of operations data for the two fiscal years ended April 30, 2004 and 2005 and the balance sheet data as of April 30, 2004 and 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The condensed consolidated statements of operations data for the six months ended October 31, 2004 and 2005 and the balance sheet data as of October 31, 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, which consist only of normal recurring adjustments, necessary to present fairly in all material respects the information included in those statements. Our results of operations for the six months ended October 31, 2005, may not be indicative of results that may be expected for the fiscal year ending April 30, 2006. The data presented below have been derived from consolidated financial statements that have been prepared in accordance with generally accepted accounting principles and should be read in conjunction with our consolidated financial statements, including the notes, included elsewhere in the prospectus, and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus.

	Year Ended April 30,		Six Months Ended October 31,	
	2004	2005	2004	2005
			(Unaudited)	
Revenue	$ 22,076,246	$ 40,148,233	$ 17,574,419	$ 26,421,882
Costs and expenses:				
Cost of revenue	17,286,099	32,445,470	14,224,298	19,469,223
Selling, general and administrative expenses	4,441,776	7,028,850	2,911,112	4,615,608
Depreciation and amortization	382,510	682,397	246,693	421,060
Total costs and expenses	22,110,385	40,156,717	17,382,103	24,505,891
Operating (loss) income	(34,139)	(8,484)	192,316	1,915,991
Interest expense	14,048	24,702	12,763	94,800
(Loss) income before income tax provision	(48,187)	(33,186)	179,553	1,821,191
Income tax provision	76,000	52,096	71,895	721,108
Net (loss) income	$ (124,187)	$ (85,282)	$ 107,658	$ 1,100,083
Basic net (loss) income per common share	$ (0.08)	$ (0.03)	$ 0.06	$ 0.29
Diluted net (loss) income per common share	$ (0.08)	$ (0.03)	$ 0.06	$ 0.29
Shares used in net (loss) income per share calculation:				
Basic	1,521,697	2,679,529	1,737,498	3,837,689
Diluted	1,521,697	2,679,529	1,804,162	3,846,313

	As of April 30,		As of October 31, 2005
	2004	2005	(Unaudited)
Balance sheet data:			
Cash and cash equivalents	$ 1,984,636	$ 989,252	$ 1,800,224
Working capital	2,396,169	5,145,320	9,441,772
Total assets	20,882,097	30,176,711	34,345,110
Total liabilities	9,594,342	9,821,618	12,589,934
Total shareholders’ equity	11,287,755	20,355,093	21,755,176

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the information in this prospectus contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future results of operations or of our financial condition; and
- state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. The risk factors contained within this prospectus, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors could have an adverse effect on our business, results of operations and financial condition.

Business Overview

We respond to the growing demand in wireless communications by providing engineering services for the design and deployment of wireless networks. We operate in two segments that we define as specialty communication systems and wireless infrastructure services.

We generate our revenue by providing a range of services including the design, deployment and maintenance of:

- two-way radio communication systems, which are used primarily for emergency dispatching;
- Wi-Fi networks, which are wireless local area networks that operate on a set of product compatibility standards;
- WiMAX networks, which are networks that can operate at higher speeds and over greater distances than Wi-Fi;
- mesh networks, which are redundant systems to route information between points;
- millimeter wave networks, which are high capacity networks for high speed wireless access;
- fixed wireless networks, which are used in point-to-point outdoor communications;
- Radio Frequency Identification, or RFID, networks, which allow customers to identify and track assets;
- free-space optics, which is a wireless communication technology that uses light to transmit voice, data and video; and
- commercial cellular systems, which are used primarily for mobile communications.

Specialty communication systems are wireless networks for a specified customer application. In this segment, we can utilize any facet of wireless technology or a combination of various wireless technologies to engineer a cost effective network for a customer's wireless communication requirement. Customers include corporations, government entities and educational institutions. For the six months ended October 31, 2005, specialty communication systems represented approximately 86% of our total revenue.

Wireless infrastructure services include the design, deployment and maintenance of commercial cellular systems. The primary customers in this category include major wireless service providers such as Sprint Nextel and Cingular. For the six months ended October 31, 2005, wireless infrastructure services represented approximately 14% of our total revenue.

Management currently considers the following events, trends and uncertainties to be important in understanding our results of operations and financial condition:

- For the six months ended October 31, 2005, the specialty communication systems segment represented approximately 86% of total revenue, and the wireless infrastructure services segment represented approximately 14% of total revenue, as compared to approximately 78% and 22%, respectively, in the fiscal year ended April 30, 2005. This shift in revenue composition towards the specialty communication systems segment was primarily a result of our acquisition of Quality in the third fiscal quarter of 2005.

- As we continue to search for acquisitions, our primary goal is to identify companies who are performing well financially and are compatible with the services that we perform in the specialty communication systems segment. This trend could lead to a further shift in our revenue composition towards the specialty communication systems segment. We believe that the strength of our experience in the design and deployment of specialty communication systems gives us a competitive advantage.

- We also seek to achieve organic growth in our existing business by maximizing the value of our existing customer base, maintaining and expanding our focus in vertical markets and developing our relationships with technology providers.

- We believe that the emergence of new and improved technologies such as WiMAX will create additional opportunities for us to design and deploy solutions through the use of the latest technologies and assisting existing customers in enhancing the efficiency of their existing wireless networks using new technologies.

- We believe that the wireless carriers will continue to make expenditures to build and upgrade their networks, increase existing capacity, upgrade their networks with new technologies and maintain their existing infrastructure. In response to this trend, we will continue to provide network deployment services that address wireless carrier needs.

Historical Overview

On May 17, 2002, under an agreement and plan of merger, Phoenix Star Ventures Inc., a publicly held corporation, acquired WPCS Holdings, Inc., a Delaware corporation, by issuing approximately 458,334 shares of its common stock to stockholders of WPCS Holdings in exchange of all the outstanding shares of WPCS Holdings. WPCS Holdings was incorporated in the State of Delaware on November 15, 2001. The stockholders of WPCS Holdings, after the acquisition, owned the majority of the combined company. The acquisition was accounted for as a reverse acquisition in which WPCS Holdings was the acquiror. Concurrent with the acquisition, Phoenix Star Ventures, the parent company, changed its name to WPCS International Incorporated.

On November 12, 2002, we acquired all of the outstanding shares of Invisinet in exchange for an aggregate of 83,334 newly issued shares of our common stock with a fair value of approximately $1,750,000.

On December 30, 2002, we acquired all of the outstanding shares of Walker Comm in exchange for an aggregate of 207,167 newly issued shares of our common stock with a fair value of approximately $4,574,000 and $500,000 cash consideration.

On August 22, 2003, we acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 68,871 newly issued shares of our common stock with a fair value of approximately $868,000 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 stockholders of 50% of the quarterly post-tax profits, as defined, of Clayborn and a final payment of any remaining balance on that date.

On April 2, 2004, we acquired all of the outstanding common stock of Heinz for $1,000,000, as follows: (1) $700,000 of our common stock, based on the closing price of its common stock on March 30, 2004 of $11.76 per share, for an aggregate of 59,524 newly issued shares of our 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 was issued. Of the $200,000, $75,000 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 16, 2004, we sold an aggregate of 2,083,887 shares of our common stock and common stock purchase warrants to purchase 2,083,887 shares of our common stock at $8.40 per share to eight investors for $10,000,000.

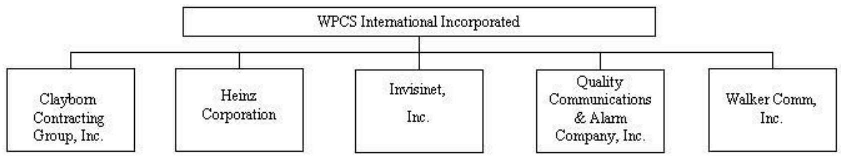
On November 24, 2004, we acquired all of the outstanding common stock of Quality for aggregate consideration of approximately $7,458,000 in cash, net of acquisition transaction costs. $6,700,000 was paid at closing, and additional purchase price adjustments of approximately $758,000 were subsequently paid to settle working capital adjustments and income tax reimbursements.

Effective January 10, 2005, a majority of our stockholders approved a one-for-twelve reverse stock split of our common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share.

On March 28, 2005, our common stock began trading on the NASDAQ Capital Market. Our common stock is traded under the symbol “WPCS.”

Corporate Structure

We operate through our subsidiaries, Clayborn, Heinz, Invisinet, Quality and Walker Comm. WPCS' operations consist of expenses for corporate salaries and external professional fees, such as accounting, legal and investor relations costs, which are not allocated to the subsidiaries. Our corporate structure is as set forth in the following diagram:



Results of Operations

Comparison of Fiscal Years Ended April 30, 2005 and 2004

Consolidated results for the fiscal years ended April 30, 2005 and 2004 were as follows. Certain reclassifications have been made to prior fiscal year consolidated financial statements to conform to the current presentation.

	Year Ended April 30, 2005		Year Ended April 30, 2004	
Revenue	$ 40,148,233	100.0%	$ 22,076,246	100.0%
Costs and expenses:				
Cost of revenue	32,445,470	80.8%	17,286,099	78.3%
Selling, general and administrative expenses	7,028,850	17.5%	4,441,776	20.1%
Depreciation and amortization	682,397	1.7%	382,510	1.7%
Total costs and expenses	40,156,717	100.0%	22,110,385	100.1%
Operating loss	(8,484)	0.0%	(34,139)	-0.1%
Interest expense	24,702	0.1%	14,048	0.1%
Loss before income tax provision	(33,186)	-0.1%	(48,187)	-0.2%
Income tax provision	52,096	0.1%	76,000	0.4%
Net loss	$ (85,282)	-0.2%	$ (124,187)	-0.6%

Revenue

Revenue for the fiscal year ended April 30, 2005 was approximately $40,148,000, as compared to $22,076,000 for the prior fiscal year, an increase of 81.9%. The increase in revenue was attributable to organic growth expansion of our customer base and new contract awards of approximately $7,600,000 and approximately $10,400,000 from the acquisitions of Heinz and Quality. For the fiscal year ended April 30, 2005, we had one customer which comprised 15.5% of our revenues.

Total revenue from the specialty communication systems segment for the fiscal years ended April 30, 2005 and 2004 was approximately $31,497,000 or 78.5% of total revenue and $17,508,000 or 79.3% of total revenue, respectively. Wireless infrastructure services segment revenue for the fiscal years ended April 30, 2005 and 2004 was approximately $8,651,000 or 21.5% of total revenue and $4,568,000 or 20.7% of total revenue, respectively.

Cost of Revenue

Cost of revenue consists of direct costs on contracts, including materials, direct labor, third party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately $32,445,000 or 80.8% of revenue for the fiscal year ended April 30, 2005, compared to $17,286,000 or 78.3% of revenue for the prior fiscal year. The dollar increase in our total cost of revenue was due to the corresponding increase in revenue during the fiscal year ended April 30, 2005 as a result of organic growth in revenue and the acquisitions of Heinz and Quality. In addition, the increase in total cost of revenue was due to an increase in costs incurred on certain contracts that were recognized during the fiscal year ended April 30, 2005 of approximately $1,200,000. The increase in cost of revenue as a percentage of revenue was due primarily to an increase in costs incurred on certain contracts, offset by the revenue mix attributable to the acquisitions of Heinz and Quality.

The specialty communication systems segment cost of revenue and cost of revenue as a percentage of revenue for the fiscal years ended April 30, 2005 and 2004 were approximately $25,919,000 and 82.3% and $13,831,000 and 79.0%, respectively. As discussed above, the dollar increase in our total cost of revenue was due to the corresponding increase in revenue during the fiscal year ended April 30, 2005 as a result of organic growth in revenue from Walker Comm and Clayborn, and the acquisitions of Clayborn and Quality. In addition, the increase in total cost of revenue was due to an increase in costs incurred on certain Walker Comm contracts that were recognized during the fiscal year of approximately $1,200,000. The increase in cost of revenue as a percentage of revenue was due to an increase in the costs incurred on certain Walker Comm contracts recognized during the period, partially offset by lower cost of revenue on revenues attributable to the Quality acquisition.

Wireless infrastructure services segment cost of revenue and cost of revenue as a percentage of revenue for the fiscal years ended April 30, 2005 and 2004 were approximately $6,526,000 and 75.4% and $3,455,000 and 75.6%, respectively. The dollar increase in our total cost of revenue was due to the corresponding increase in revenue during the fiscal year ended April 30, 2005 as a result of the acquisition of Heinz. The decrease in cost of revenue as a percentage of revenue was due to the revenue mix attributable to the acquisition of Heinz.

Selling, General and Administrative Expenses

For the fiscal year ended April 30, 2005, total selling, general and administrative expenses were $7,029,000 or 17.5% of total revenue compared to $4,442,000 or 20.1% of total revenue for the prior fiscal year. The percentage decrease is due to the increase in total revenue in fiscal 2005. Included in selling, general and administrative expenses for the fiscal year ended April 30, 2005 were $3,656,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the prior fiscal year is due to the increase in headcount as a result of the acquisitions of Clayborn, Heinz and Quality. Professional fees were $537,000, which included accounting, legal and investor relation fees. Insurance costs were $1,164,000 and rent for office facilities was $358,000. Automobile and other travel expenses were $422,000 and telecommunication expenses were $196,000. Other selling, general and administrative expenses totaled $696,000. For the fiscal year ended April 30, 2005, total selling, general and administrative expenses for the specialty communication systems and wireless infrastructure services segments were $4,658,000 and $1,180,000, respectively.

For the fiscal year ended April 30, 2004, selling, general and administrative expenses were $4,442,000 or 20.1% of revenue. Included in the selling, general and administrative expenses were salaries, commissions and payroll taxes of $2,100,000, professional fees of $566,000 and insurance costs of $730,000. Rent for our office facilities amounted to $250,000. Automobile and other travel expenses were $259,000 and telecommunication expenses were $133,000. Other selling, general and administrative expenses totaled $404,000. For the fiscal year ended April 30, 2004, total selling, general and administrative expenses for the specialty communication systems and wireless infrastructure services segments were $2,805,000 and $712,000, respectively.

Depreciation and Amortization

For the fiscal years ended April 30, 2005 and 2004, depreciation was approximately $372,000 and $228,000, respectively. The increase in depreciation is due to the acquisition of fixed assets from acquiring Clayborn, Heinz, and Quality. The amortization of customer lists and backlog for the fiscal year ended April 30, 2005 was $310,000 as compared to $154,000 for the same period of the prior fiscal year. The increase in amortization was due to the acquisition of customer lists from Clayborn, Heinz and Quality, and backlog from Heinz. All customer lists are amortized over a period of five to six years from the date of their acquisition. Backlog is amortized over a period of one year from the date of acquisition.

Net Loss

Net loss was approximately $85,000 for the fiscal year ended April 30, 2005. Net loss included federal and state income tax provisions of approximately $52,000. The variation in effective tax rates between periods is primarily due to the Clayborn and Heinz acquisitions and certain book-to-tax permanent differences.

We incurred a net loss of approximately $124,000 for the fiscal year ended April 30, 2004.

Comparison of Six Months Ended October 31, 2005 and 2004

Consolidated results for the six months ended October 31, 2005 and 2004 are as follows.

	Six Months Ended October 31,			
	2005		2004	
Revenue	$ 26,421,882	100.0%	$ 17,574,419	100.0%
Costs and expenses:				
Cost of revenue	19,469,223	73.7%	14,224,298	80.9%
Selling, general and administrative expenses	4,615,608	17.4%	2,911,112	16.6%
Depreciation and amortization	421,060	1.6%	246,693	1.4%
Total costs and expenses	24,505,891	92.7%	17,382,103	98.9%
Operating income	1,915,991	7.3%	192,316	1.1%
Interest expense	94,800	0.4%	12,763	0.1%
Income before income tax provision	1,821,191	6.9%	179,553	1.0%
Income tax provision	721,108	2.7%	71,895	0.4%
Net Income	$ 1,100,083	4.2%	$ 107,658	0.6%

Revenue

Revenue for the six months ended October 31, 2005 was approximately $26,422,000, as compared to $17,574,000 for the six months ended October 31, 2004, an increase of 50.3%. The increase in revenue for the six months was primarily attributable to the acquisition of Quality on November 24, 2004. For the six months ended October 31, 2005, we had two separate customers which comprised 16.6% and 12.7% of our revenues.

Total revenue from the specialty communication systems segment for the six months ended October 31, 2005 and 2004 was approximately $22,602,000 or 85.5% of total revenue and $12,367,000 or 70.4% of total revenue, respectively. Wireless infrastructure services segment revenue for the six months ended October 31, 2005 and 2004 was approximately $3,820,000 or 14.5% of total revenue and $5,208,000 or 29.6% of total revenue, respectively.

Cost of Revenue

Cost of revenue consists of direct costs on contracts, materials, direct labor, third-party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately $19,469,000 or 73.7% of revenue for the six months ended October 31, 2005, compared to $14,224,000 or 80.9% for the same period of the prior fiscal year. The dollar increase in our total cost of revenue was due to the corresponding increase in revenue as a result of the acquisition of Quality. The decrease in cost of revenue as a percent of revenue was due to the revenue mix attributable to contract revenue from Walker Comm, Clayborn and Heinz and to the recent acquisition of Quality.

The specialty communication systems segment cost of revenue and cost of revenue as a percentage of revenue for the six months ended October 31, 2005 and 2004 were approximately $16,580,000 and 73.3% and $10,401,000 and 84.1%, respectively. The decrease in cost of revenue as a percentage of revenue was due to the revenue mix attributable to contract revenue from Walker Comm and Clayborn and the acquisition of Quality.

Wireless infrastructure services segment cost of revenue and cost of revenue as a percentage of revenue for the six months ended October 31, 2005 and 2004 were approximately $2,889,000 and 75.6% and $3,824,000 and 73.4%, respectively. The increase in cost of revenue as a percentage of revenue was due to the revenue mix attributable to contract revenue from Heinz and Invisinet.

Selling, General and Administrative Expenses

For the six months ended October 31, 2005, total selling, general and administrative expenses were $4,616,000 or 17.4% of total revenue compared to $2,911,000 or 16.6% of total revenue for the same period in the prior fiscal year. Included in selling, general and administrative expenses for the six months ended October 31, 2005 were $2,520,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the same period in the prior fiscal year is due to the increase in headcount as a result of the acquisition of Quality. Professional fees were $326,000, which included accounting, legal and investor relation fees. Insurance costs were $688,000 and rent for office facilities was $198,000. Automobile and other travel expenses were $368,000. Other selling, general and administrative expenses totaled $516,000. For the six months ended October 31, 2005, total selling, general and administrative expenses for the specialty communication systems and wireless infrastructure services segments were $3,354,000 and $500,000, respectively.

For the six months ended October 31, 2004, selling, general and administrative expenses were $2,911,000 or 16.6% of revenue. Included in the selling, general and administrative expenses were salaries, commissions and payroll taxes of $1,403,000, professional fees of $330,000 and insurance costs of $491,000. Rent for our office facilities amounted to $157,000. Automobile and other travel expenses were $162,000. Other selling, general and administrative expenses totaled $368,000. For the six months ended October 31, 2004, total selling, general and administrative expenses for the specialty communication systems and wireless infrastructure services segments were $1,719,000 and $525,000, respectively.

Depreciation and Amortization

For the six months ended October 31, 2005 and 2004, depreciation was approximately $272,000 and $168,000, respectively. The increase in depreciation was due to the purchase of property and equipment and the acquisition of fixed assets from acquiring Quality. The amortization of customer lists for the six months ended October 31, 2005 was $149,000 as compared to $79,000 for the same period of the prior fiscal year. The increase in amortization was due to the acquisition of Quality customer lists. All customer lists are amortized over a period of five to six years from the date of their acquisition.

Net Income

Net income was approximately $1,100,000 for the six months ended October 31, 2005, net of federal and state income tax expense of approximately $721,000.

Net income was approximately $108,000 for the six months ended October 31, 2004, net of federal and state income taxes of approximately $72,000.

Liquidity and Capital Resources

At October 31, 2005, we had working capital of approximately $9,442,000, which consisted of current assets of approximately $17,486,000 and current liabilities of $8,044,000.

Operating activities used $922,000 in cash during the six months ended October 31, 2005, comprised mainly of $1,100,000 of net income plus $409,000 in net non-cash charges, an increase in accounts receivable of $2,435,000, an increase in income taxes payable of $750,000, an increase in costs and estimated earnings in excess of billings on uncompleted contracts of $1,058,000, a decrease in inventory of $270,000, an increase in prepaid expenses and other current assets of $153,000, a decrease in accounts payable and accrued expenses of $223,000, an increase in billings in excess of costs and estimated earnings on uncompleted contracts payable of $399,000 and a net decrease in other assets of $19,000.

Our investing activities utilized $900,000 in cash during the six months ended October 31, 2005, which consisted of $138,000 paid for property and equipment, $758,000 for the acquisition of Quality and $4,000 paid for acquisition transaction costs.

Our financing activities provided cash of $2,633,000 during the six months ended October 31, 2005. Financing activities included borrowings under lines of credit of $2,618,000, proceeds from the exercise of warrants of $300,000, debt issuance costs of $159,000, payment of amounts due to stockholders of $50,000 and repayments of equipment loans and capital lease obligations of approximately $76,000.

Our capital requirements depend on numerous factors, including the market for our services, the resources we devote to developing, marketing, selling and supporting our business, the timing and extent of establishing additional markets and other factors. On June 3, 2005, we entered into a credit agreement with a commercial bank. The credit agreement provides for a revolving line of credit in an amount not to exceed $5,000,000, together with a letter of credit facility not to exceed $500,000. We also entered into security agreements, under which each subsidiary granted a security interest to the bank in all of their assets.

Under the terms of the credit agreement, we are permitted to borrow up to $3,000,000 under the revolving credit line, based upon eligible receivables. Once we have provided consolidated financial statements which evidence that we have earnings before interest, taxes, depreciation and amortization of (i) $750,000 for the quarter ended July 31, 2005, (ii) $750,000 for the quarter ended October 31, 2005, and (iii) $2,500,000 for the fiscal year ended April 30, 2006, the revolving commitment amount will be increased to $5,000,000. The credit agreement contains customary covenants, including but not limited to (i) restrictions on the permitted ratio of total unsubordinated liabilities to tangible net worth plus subordinated indebtedness, (ii) our total tangible net worth, (iii) working capital, (iv) minimum earnings before interest, taxes, depreciation and amortization, and (v) dividend restrictions. As of October 31, 2005, we were in compliance with the credit agreement covenants. The loan commitment shall expire on August 31, 2008. We may prepay the loan at any time.

The loan under the credit agreement bears interest at a rate equal to either the bank's reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as we may request (6.625% as of October 31, 2005). We paid a facility fee to the bank of $50,000 on the closing date. In addition to the loan, a $500,000 letter of credit was re-issued in favor of Walker Comm's surety bonding company as collateral for performance and payment bond requirements.

We used the initial funds provided by the loan, in the gross amount of $3,000,000, to repay existing bank debt at Walker Comm of approximately $672,000, for the payment of approximately $758,000 to the former stockholders of our Quality subsidiary for monies due to them under the terms of the purchase of their company, and for working capital.

On November 24, 2004, we acquired Quality for the aggregate consideration of approximately $7,458,000 in cash, net of acquisition transaction costs. A formal purchase price allocation was completed and the amounts assignable to tangible assets, other intangible assets and goodwill determined. The acquisition of Quality provided us additional project engineering expertise for specialty communication systems opportunities, broadened our customer base especially in the public safety sector and gaming industry, and expanded our geographic presence in the Northeastern United States.

At October 31, 2005, we had cash and cash equivalents of approximately $1,800,000 and working capital of approximately $9,442,000. With the funds available from the recently obtained revolving credit line and internally available funds, we believe that we have sufficient capital to meet our needs for at least the next 12 months from the date of this prospectus. 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.

Backlog

As of October 31, 2005, we had a backlog of unfilled orders of approximately $19 million compared to approximately $18 million at October 31, 2004. We anticipate our backlog at October 31, 2005 to be recognized as revenue within eight months from that date. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is a written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments which may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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 our 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 the 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.

Accounts Receivable

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

Goodwill and Other Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets. We assess the impairment of goodwill annually as of April 30 and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. Intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. We are required to make judgments and assumptions in identifying those events or changes in circumstances that may trigger impairment. Some of the factors we consider include a significant decrease in the market value of an asset; significant changes in the extent or manner for which the asset is being used or in its physical condition; a significant change, delay or departure in our business strategy related to the asset; significant negative changes in the business climate, industry or economic condition, or current period operating losses; or negative cash flow combined with a history of similar losses or a forecast that indicates continuing losses associated with the use of an asset.

Our annual review for goodwill impairment for the fiscal years 2005 and 2004 found that no impairment existed. 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 incorporates our estimates of future revenues and costs for those business units. Reporting units with goodwill include Invisinet and Heinz within our wireless infrastructure segment and Walker Comm, Clayborn and Quality within our specialty communication systems segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

Deferred Income Taxes

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

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

Revenue Recognition

We record revenue and profit on these contracts on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site engineering 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 we are 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. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. 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 in the current period for the total loss anticipated.

Recently Issued Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R) (revised 2004), "Share-Based Payment," which revises FASB Statement No. 123 and will be effective beginning with the first fiscal quarter for our fiscal year ending April 30, 2007. The new standard will require us to expense employee stock options and other share-based payments over the service period. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position or results of operations, although it is likely that we will have to recognize additional compensation expense in the periods after adoption.

No other recently issued accounting pronouncement issued or effective after the end of the most recent quarter is expected to have a material impact on our consolidated financial statements.

BUSINESS

Overview

We design and deploy wireless networks. We provide design-build engineering services for specialty communication systems, which are dedicated wireless networks for specified applications, and for wireless infrastructure, which encompasses commercial cellular systems for wireless carriers. Our range of services includes site design, spectrum analysis, engineering, trenching, electrical work, structured cabling, product integration, testing and project management. Because we are technology and vendor independent, we can integrate multiple products and services across a variety of communication requirements. This ability gives our customers the flexibility to create and implement the most appropriate solution for their communication needs, and the cost advantage that comes from dealing with competing vendors. Our customers include corporations, government entities and educational institutions. Within this customer base, we also serve vertical sectors such as public safety, gaming and healthcare, and wireless carriers.

The increasing demand for wireless services has become a driving force behind the recent growth in the global communications industry. Wireless technology has advanced substantially to the point where wireless networks have proven to be an effective alternative to land line networks, a key factor in its broad acceptance. The advantages of wireless over land line communication are apparent in the aspects of mobility, capacity, cost, and deployment. We believe the use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. We provide comprehensive and cost effective engineering services to address the demand for these wireless networks.

With seven offices across the United States, we provide our services to our customers nationwide. Our rapid revenue growth since we commenced operations in November 2001 is attributable to a combination of acquisitions and organic growth. For the fiscal year ended April 30, 2005, we generated revenues of $40.1 million, an increase of 81.9% from the fiscal year ended April 30, 2004. For the six months ended October 31, 2005, we generated revenues of $26.4 million, an increase of 50.3% over the comparable period in 2004, and net income of $1.1 million, an approximate tenfold increase over the comparable period in 2004. Our backlog at October 31, 2005 was approximately $19 million.

Industry Background

Worldwide use of wireless communications has grown rapidly as cellular and other emerging wireless technologies have become more widely available and affordable for businesses and consumers. The Cellular Telecommunications & Internet Association, or CTIA, in a summary prepared in October 2005, reported that there were approximately 194.5 million wireless subscribers in the United States, an increase of 15% over the prior year. The rapid growth in wireless communications is driven by the dramatic increase in wireless device usage, as well as strong demand for wireless data services and enterprise applications. According to the CTIA summary, wireless service revenue from data applications increased 85% from the prior year, to reach $3.7 billion for the first six months of 2005.

The growing number of wireless subscribers and the increase in usage by those subscribers have fueled the growth of the wireless services industry. According to a study prepared by the Ovum Group for CTIA in September 2005, U.S. wireless carriers spent $21.3 billion on capital investment in 2004. We believe enterprise wireless network investment will increase substantially as the industry continues to expand.

Advantages of Wireless Technology

Various improvements in wireless technologies have resulted in an environment where wireless solutions provide a number of key advantages over traditional land line solutions, including:

- *Mobility.* Mobile communications and computing are among the driving forces behind the demand for wireless connectivity. The increased functionality and declining cost of mobile wireless devices has fueled further growth. Mobile connectivity has led to greater productivity as organizations transmit data and gather information from remote staff and locations where land line connectivity is unavailable. Such mobile connectivity has created significant cost savings in data collection, increased responsiveness, enabled greater access to enterprise resources, and improved controls.

- *Capacity.* Current technology allows wireless transmission with capacity, quality and reliability superior to land line and comparable to fiber. For example, current radio technology is capable of two-way data transfer at rates up to 1 gigabits per second, allowing wireless networks to transmit content as quickly as over fiber.

- *Cost.* Wireless networks cost less than comparable land line networks both to deploy and to operate. Wireless deployment is less expensive because the installation of a land line network is more labor-intensive, requires more time and may involve substantial right-of-way expenditures, while we expect the main cost component of wireless networks - equipment - to continue to decline as technology advances and production volumes increase. Operating costs of wireless networks are also lower because land lines require extensive troubleshooting to execute repairs. In addition, wireless networks bypass local service providers, eliminating recurring monthly charges.

- *Deployment.* Because enterprise wireless networks do not require negotiating rights of way, substantial infrastructure engineering, time-consuming third party coordination efforts or additional FCC licensing, they can be deployed quickly and less expensively. Rapid deployment allows organizations to install networks more closely in line with immediate needs rather than having to commit to time-consuming engineering projects in anticipation of future growth.

Industry Trends

The demand for wireless data services can be tied to the following key trends:

- increased security of wireless data transmission;

- introduction of new technologies such as Wi-Fi, WiMAX and RFID;

- increasing accessibility and affordability of Web-enabled devices; and

- increased capacity of wireless networks, making them a legitimate substitute for land line communications.

The advantages gained through wireless communication solutions have expanded the scope of possible applications, creating demand for specialty communication systems.

Demand for wireless data services is accelerating the adoption of new technologies to enable wireless networks to deliver enhanced features and capabilities. Such technologies include Internet protocol, or IP, communications, including Voice over IP; fixed broadband wireless that permits the use of high capacity wireless connections between locations that are within a line of sight across relatively short distances; and mobile wireless technologies and new high capacity applications, commonly referred to as “3G” broadband wireless networks. According to the Telecommunications Industry Association’s *2005 Telecommunications Market Review and Forecast*, Wi-Fi and WiMAX infrastructure revenues were expected to reach $5.2 billion and $115 million, respectively, in 2005. The proliferation of network technologies, enabled by the standardization around IP is increasing the challenge to integrate these technologies, protocols and services. All these new technologies have increased the complexity of wireless systems, and created demand for the services of companies with specialized skills to address that complexity.

Business Strategy

Our goal is to become a recognized leader in the design and deployment of wireless networks for specialty communication systems and wireless infrastructure. We have designed and deployed many systems incorporating innovative uses of wireless technology in various vertical markets. Our strategy focuses on both organic growth and the pursuit of acquisitions that add to our engineering capacity and geographic coverage. Specifically, we will endeavor to:

- *Market additional services to our customers.* Each acquisition we make expands our customer base. We seek to expand these new customer relationships by making them aware of the diverse products and services we offer. We believe that providing these customers the full range of our services will lead to new projects or revenue opportunities and increased profitability.

- *Maintain and expand our focus in vertical markets.* We have deployed successful, innovative wireless solutions for multiple customers in a number of vertical markets, such as public safety and the gaming industry. We will continue to seek additional customers in these targeted vertical markets who can benefit from our expertise, and look for new ways in which we can design wireless solutions to enhance productivity within these markets. We also look for new vertical markets where we can make a difference with compelling wireless solutions, and will continue to expand our vertical market coverage to include these new markets as appropriate.

- *Strengthen our relationships with technology providers.* We will continue to strengthen the relationships we have with technology providers such as Avaya and Motorola. These companies rely on us to deploy their technology products within their customer base. We have worked with these providers in testing new equipment they develop, and our personnel maintain certifications on our technology providers' products. We also look for innovative products which can be of benefit to our customers, and endeavor to establish similar relationships with new technology providers as part of our commitment to offering the most complete solutions to our customers.

- *Seek strategic acquisitions.* We will continue to look for additional acquisitions of compatible businesses that can be assimilated into our organization and add accretive earnings to our business. Our preferred acquisition candidates will have experience with specialty communication systems, engineering capacity in a design-build format, an expansive customer base, and a favorable financial profile.

Services

We operate in two segments, specialty communication systems and wireless infrastructure services. Specialty communication systems are wireless networks designed to improve productivity for a specified application by communicating data, voice or video information in situations where land line networks are non-existent, more difficult to deploy or too expensive. Wireless infrastructure services include the engineering, installation, integration and maintenance of wireless carrier equipment. For the six months ended October 31, 2005, specialty communication systems represented approximately 86% of our total revenue, and wireless infrastructure services represented approximately 14% of our total revenue. For the fiscal year ended April 30, 2005, specialty communication systems represented approximately 78% of our total revenue, and wireless infrastructure services represented approximately 22% of our total revenue.

Specialty Communication Systems

The types of specialty communication systems that we implement are used for mobile computing and general wireless connectivity purposes. In mobile computing, the most popular use is the transfer of data, voice or video from a server to a mobile device, which can be achieved through the following applications:

- asset tracking, which is a wireless network that monitors the location of mobile assets such as vehicles or stationary assets such as equipment;

- telematics, which are instructions sent through a wireless network that controls a device such as a slot machine or traffic signal; and

- telemetry, which is the acquisition of data from a measuring device such as the devices used at a water treatment plant to maintain the integrity of drinking water.

In general wireless connectivity, we design and deploy wireless networks which allow entities to reduce their dependence on high cost leased land lines or provide them with a redundant back-up wireless network to their land line network.

Wireless communication is primarily achieved through radio frequency, or RF, signals. There are various RF communication methods used for connectivity, including Wi-Fi and WiMAX technology for local area and wide area networking, fixed wireless networks for point-to-point connectivity, and cellular communication for general voice and data transmission. We have the engineering expertise to utilize any facet of wireless technology or a combination of various wireless technologies to engineer a cost effective network for a customer's wireless communication requirement. In addition, the design and deployment of a specialty communication system is a comprehensive effort that requires experience in RF engineering so that the wireless network is free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. Our extensive engineering expertise with RF communications makes us well suited to address these challenges for our customers.

We are technology and vendor independent. As wireless networks evolve, customers are increasingly showing a tendency to select independent service providers, allowing our independence to become an important differentiator. As open standards and IP-based architecture continue to supplant vendor proprietary protocols and products in the marketplace, we believe our independent position will allow us to capture an increasing share of the specialty communication systems market. We believe that the strength of our experience in the design and deployment of these specialty communication systems gives us a competitive advantage and has supported our rapid growth, both organically and through acquisitions.

Wireless Infrastructure Services

We provide wireless infrastructure services to major wireless carriers. Wireless carriers are focused on building and expanding their networks, increasing capacity, upgrading their networks with new technologies and maintaining their existing infrastructure. Our engineers install, test and commission base station equipment at the carrier cell site, including installations of new equipment, technology upgrades, equipment modifications and reconfigurations. These services may also include tower construction. The range of infrastructure services includes the following:

- Installation, testing and commissioning of base station equipment, which is the installation of radio frequency equipment inside the shelter at a cell site, and testing to ensure that the equipment is operating prior to cell site activation;
- Equipment modification and reconfiguration, which involves replacing old equipment with new equipment, re-routing cables, and re-locating equipment at the cell site;
- Network modifications, which refers to work done on existing cell sites to increase capacity or change the direction of sectors or antennas;
- Sectorization, which is the installation of antennas to existing cell towers to increase the capacity of the cell site; and
- Maintenance, which includes antenna maintenance to replace damaged antennas, installing tower lighting control panels, sensors or repairing damaged shelters.

Project Characteristics

Our contracts are service-based projects providing installation and engineering services, which include providing labor, materials and equipment for a complete installation. The projects are generally staffed with a project manager who manages multiple projects and a field supervisor who is responsible for an individual project. Depending on contract scope, project staff size could range from two to four engineers to as high as 25 to 30 engineers. A project may also include subcontracted services along with our direct labor.

The project manager coordinates the daily activities of direct labor and subcontractors and works closely with our field supervisors. Project managers are responsible for job costing, change order tracking, billing, and customer relations. Executive management monitors the performance of all projects regularly through work-in-progress reporting or percentage-of-completion, and reviews this information with each project manager.

Our projects are executed on a contract basis. These contracts can be awarded through a competitive bidding process, an informal bidding process, or a simple quote request. Upon award of a contract, there can often be a delay of several months before work begins. The active work time on our projects can range in duration from a few days up to as long as two years. Once services under the contract commence, our average project length is approximately two months.

Customers

We serve a variety of customers in different market segments. In our specialty communication systems segment, we believe our design and deployment of innovative wireless networks specific to the needs of customers in certain vertical markets has brought us recognition in these markets.

In public safety, we have designed and deployed illuminated crosswalks activated by a wireless signal, wireless traffic monitoring systems and wireless changeable highway message signs for Amber Alert notification. In addition, we have designed and deployed inclusive emergency management systems that coordinate emergency services including 911 dispatching and records management. Our public safety customers have included CALTRANS, Amtrak, the New Jersey State Police and the State of New York.

In the gaming industry, we have developed expertise in the design and deployment of wireless networks to monitor slot machine activity for casino operators. The slot machines, which represent the highest percentage of revenue for any casino, are networked and constantly monitored from a central location. The network is designed to alert the casino operators if there is a malfunction, and provide the ability to repair any technical issues immediately and remotely, representing an economic benefit in both cost savings and elimination of lost revenue. In addition, we have established wireless two-way radio, paging and dispatch networks within casinos for improved communication. Our gaming customers have included Bally’s, Caesar’s Entertainment, Mohegan Sun Hotel & Casino and The Seminole Indian Nation.

In the healthcare industry, we have deployed systems such as the following:

- a wireless network for the asset tracking of ambulances in order to improve medical dispatch services for patients;

- the deployment of laptop computers in ambulances for the transmission of patient information to the hospital while in transit; and

- a wireless network that allows medical staff to access consolidated patient medical records throughout the hospital via mobile wireless devices, improving the accuracy of patient care.

Our healthcare customers have included Amcare Ambulance, Wake Forest University Baptist Hospital, Somerset Hospital and Southeast Regional Medical Center.

We also provide design and deployment of wireless networks for general wireless connectivity. We have provided these services to customers within our vertical markets, as well as corporations such as United Parcel Service and real estate developers such as Silverstein Properties in the construction of the new 7 World Trade Center in New York City. Improved communication can be established between buildings by establishing Wi-Fi networks and fixed wireless networks that eliminate costly leased land lines. We also designed and deployed a wireless network for Alltel Stadium, the home of the Jacksonville Jaguars and site of the 2005 Super Bowl, which is used for point-of-sale inventory management for different vendors throughout the stadium.

In our wireless infrastructure segment, our customers are major wireless service providers. We have provided services for Sprint Nextel, Cingular, T-Mobile, U.S. Cellular and Verizon. We are performing engineering services for a major wireless carrier related to a project mandated by the FCC. The project involves a multi-phase FCC mandated re-banding initiative to include mitigation of public safety radio interference at the 800MHz frequency by moving service to the 900 MHz frequency. The scope of our project requires the removal and replacement of certain equipment located at the cell site shelters to accommodate the frequency changes. In addition, we are upgrading and integrating non-wide band equipment within existing transmitter sites to allow for future frequency migration.

For the fiscal year ended April 30, 2005, we had revenue from one customer totaling $6.2 million, which comprised 15.5% of our total revenue. For the six months ended October 31, 2005, we had revenue from two customers totaling $4.4 million and $3.3 million, which comprised 16.6% and 12.7% of our total revenue, respectively.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our vertical market focus and our relationships with technology providers. In addition, our project managers devote a portion of their time to sales and marketing. When an opportunity is identified, we assess the opportunity to determine our level of interest in participation. After qualifying an opportunity, our sales and marketing resources work with the internal project management teams to prepare a cost estimate and contract proposal for a particular project. We keep track of bids submitted and bids that are awarded. Once a bid is awarded to us, it is assigned to a project management team and included in our backlog. We focus almost all of our sales and marketing effort in the U.S. due to the robust market conditions.

Backlog

As of October 31, 2005, we had a backlog of unfilled orders of approximately $19 million compared to approximately $18 million at October 31, 2004. We anticipate our backlog at October 31, 2005 to be recognized as revenue within eight months from that date. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is a written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments which may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Competition

We face competition from numerous service providers, ranging from small independent regional firms to larger firms servicing national markets. We also face competition from existing or prospective customers that employ in-house personnel to perform some of the same types of services that we provide. Historically, there have been relatively few significant barriers to entry into the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. At the present time, we believe that there are no dominant competitors in the specialty communication systems segment. Some of the competition we face comes from companies that provide similar services, but are not vendor independent, such as Terabeam, Inc. and ARC Wireless Solutions, Inc., and from companies that offer general wireless connectivity services on a subscription model basis, such as Earthlink, Inc. and T-Mobile USA, Inc. The vendor-independent competitors in this market are relatively fragmented, and there is no recognized competitor who offers services similar to ours on a national scale. There are a number of engineering firms that could compete with us in the future, who have substantially greater resources. The competition we face in the wireless infrastructure services segment comes primarily from Wireless Facilities, Inc. and LCC International, Inc. There are also numerous regional competitors whom we encounter in our wireless infrastructure services business.

The principal competitive advantage in these markets is the ability to deliver results on time and within budget. Other factors of importance include reputation, accountability, staffing capability, project management expertise, industry experience and competitive pricing. In addition, expertise in new and evolving technologies has become increasingly important. We believe that the ability to design, deploy and maintain all facets of wireless technology for various vertical sectors gives us a competitive advantage. We maintain a trained and certified staff of engineers that have developed proven methodologies for the design and deployment of wireless networks, and can provide these services on a national basis. In addition, we offer both a union and non-union workforce that allows us to bid on either labor requirement creating yet another competitive advantage.

However, our ability to compete effectively also depends on a number of additional factors which are beyond our control. These factors include competitive pricing for similar services, the ability and willingness of the competition to finance projects on favorable terms, the ability of customers to perform the services internally and the responsiveness of our competitors to customer needs.

Employees

As of February 1, 2006, we employed 219 full time employees, of whom 151 are project engineers, 23 are project managers, 39 are in general management and administration and six are executives. We have approximately 95 project engineers who are represented by the International Brotherhood of Electrical Workers. A contract with these union employees expires November 30, 2008. We also have non-union employees. We believe relations with our employees are good.

Properties

Our principal executive offices are located in approximately 2,550 square feet of office space in Exton, Pennsylvania. We operate our business under office leases in the following locations:

Location	Lease Expiration Date	Minimum Annual Rent
Auburn, California (1)	month-to-month	$ 64,440
Exton, Pennsylvania	February 1, 2008	$ 48,725
Fairfield, California (2)	February 28, 2011	$ 94,125
Lakewood, New Jersey	August 31, 2007	$ 90,370
Rocklin, California	January 31, 2008	$ 27,000
San Leandro, California	July 31, 2006	$ 13,756
St. Louis, Missouri	August 31, 2008	$ 56,142

(1) The lease for our Auburn, California location is month to month; therefore the minimum annual rental price assumes we rent the property for the entire year.

(2) We lease our Fairfield, California location from a trust, of which Gary Walker, one of our Directors, is the trustee.

We believe that our existing facilities are suitable and adequate to meet our current business requirements.

Legal Proceedings

We are currently not a party to any material legal proceedings or claims.

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers and their ages as of February 7, 2006 are as follows.

Name	Age	Position
Andrew Hidalgo	49	Chairman, Chief Executive Officer and Director
Joseph Heater	42	Chief Financial Officer
Donald Walker	42	Executive Vice President
James Heinz	46	Executive Vice President
Richard Schubiger	40	Executive Vice President
Norm Dumbroff	45	Director
Neil Hebenton	49	Director
Gary Walker	51	Director
William Whitehead	50	Director

Set forth below is a biographical description of each director and executive officer.

Andrew Hidalgo, Chairman and Chief Executive Officer

Mr. Hidalgo has been our Chairman of the Board and Chief Executive Officer since our inception in May 2002 and served in the same capacity with the predecessor company WPCS Holdings, Inc. since September 2000. He is responsible for our operations and direction. Prior to that, Mr. Hidalgo held various positions in operations, sales and marketing with Applied Digital Solutions, the 3M Company, Schlumberger and General Electric. He attended Fairfield University in Fairfield, Connecticut.

Joseph Heater, Chief Financial Officer

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

Donald Walker, Executive Vice President

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

James Heinz, Executive Vice President

Mr. Heinz has been Executive Vice President since April 2004. Mr. Heinz was the founder of Heinz Corporation and its President since January 1994 until its acquisition by WPCS in April 2004. Mr. Heinz has over twenty years of project engineering experience in civil and commercial engineering projects with over ten years specifically dedicated to wireless infrastructure services. Mr. Heinz is the Chairman of the Construction Advisory Board for Southern Illinois University and a general advisory member of the School of Engineering. He holds a B.S. degree in construction management from Southern Illinois University.

Richard Schubiger, Executive Vice President

Mr. Schubiger has been Executive Vice President since November 2004. Mr. Schubiger was a co-founder of Quality Communications and its President since December 1995 until its acquisition by WPCS in November 2004. Mr. Schubiger has over twenty years of experience in the wireless communications industry and has been involved with all facets including sales, service, design and project management. Prior to establishing Quality Communications, Mr. Schubiger worked for Motorola, Inc., designing and supporting major wireless systems for commercial and government users. Mr. Schubiger had a distinguished career in the United States Marine Corps where he served as a wireless engineering specialist involved with deployments throughout North America, Asia and Europe

Norm Dumbroff , Director

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

Neil Hebenton, Director

Mr. Hebenton became a director of WPCS in October 2002. Since February 2002, he has been Senior Director, Business Development, for Perceptive Informatics, Inc. (a subsidiary of PAREXEL International Corp.), a company offering clinical trial data management software applications to pharmaceutical and biotechnology companies. From January 1998 to January 2002, he was the Managing Director for the U.K. based FW Pharma Systems, a multi-million dollar application software company serving the pharmaceutical and biotechnology sectors. Prior to that, Mr. Hebenton has held a variety of operational, scientific and marketing positions in Europe with Bull Information Systems (BULP-Paris, Frankfurt, Zurich) and Phillips Information Systems. He received his B.S. in Mathematics from the University of Edinburgh, Scotland.

Gary Walker, Director

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

William Whitehead, Director

Mr. Whitehead became a director of WPCS in October 2002. Since October 1998, he has been the Chief Financial Officer for Neutronics Incorporated, a multi-million dollar process and safety systems manufacturer. Mr. Whitehead has held a variety of financial management positions with Deloitte & Touche and was Division Controller for Graphic Packaging Corporation from April 1990 to March 1998. After attending West Point, Mr. Whitehead received a B.S. in Accounting from the Wharton School at the University of Pennsylvania and received his M.B.A. from the Kellogg Graduate School at Northwestern University.

Board of Directors

All of our directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Directors serve without compensation and without other fixed remuneration. Directors are entitled to receive stock options under our 2002 Stock Option and 2006 Incentive Stock Plan as determined by the Board of Directors. We reimburse our directors for expenses incurred in connection with attending Board meetings.

The following is a summary of the committees on which our directors serve.

Audit Committee

Our Audit Committee currently consists of William Whitehead, Norm Dumbroff and Neil Hebenton, with Mr. Whitehead elected as Chairman of the Committee. Our Board of Directors has determined that each of Messrs. Whitehead, Dumbroff and Hebenton are “independent” as that term is defined under applicable SEC rules and under the current listing standards of the NASDAQ Stock Market. Mr. Whitehead is our audit committee financial expert.

Our Audit Committee’s responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditors, (iii) pre-approving the professional services provided by the independent auditors, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditors, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditors. Our Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

Executive Committee

Our Executive Committee currently consists of Norm Dumbroff, Neil Hebenton and William Whitehead, with Mr. Dumbroff elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market. Our Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Executive Committee.

Our Executive Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of our executive officers and directors, assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy, producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC, periodically evaluating the terms and administration of our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

Nominating Committee

Our Nominating Committee currently consists of Neil Hebenton, Norm Dumbroff and William Whitehead, with Mr. Hebenton elected as Chairman of the Committee. The Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market.

Our Nominating Committee has responsibility for assisting the Board in, among other things, effecting the organization, membership and function of the Board and its committees. The Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors.

EXECUTIVE COMPENSATION

The following table sets forth in summary form the compensation received during the fiscal years ended April 30, 2005, 2004, and 2003 by our Chief Executive Officer and each of our four other most highly compensated executive officers based on salary and bonus earned during the 2005 fiscal year:

Summary Compensation Table

		Annual Compensation			Long-Term Compensation: Awards		Long-Term Compensation: Payouts	
Name and Principal Position	Fiscal Year	Annual Salary ($)	Annual Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options/SARs (#) (5)	LTIP Payouts ($)	All Other Compensation ($)
Andrew Hidalgo,	2005	168,000	---	9,549 (6)	---	154,167	---	---
Chairman, CEO and	2004	154,500	17,000	7,958 (6)	---	---	---	---
Director	2003	141,000	---	---	---	---	---	---
Donald Walker,	2005	140,000	10,269	---	---	---	---	---
Executive Vice President (1)	2004	140,000	26,962	---	---	16,667	---	---
	2003	41,160	2,669	---	---	---	---	---
Gary Walker,	2005	140,000	10,269	---	---	2,084	---	---
President-Walker Comm	2004	140,000	26,962	---	---	16,667	---	---
and Director (2)	2003	42,333	2,669	---	---	---	---	---
James Heinz,	2005	140,000	---	---	---	10,000	---	---
Executive Vice President (3)	2004	10,231	---	---	---	---	---	---
	2003	---	---	---	---	---	---	---
Joseph Heater,	2005	132,000	---	---	---	35,000	---	---
Chief Financial Officer (4)	2004	95,500	8,000	---	---	33,334	---	---
	2003	---	---	---	---	---	---	---

(1) Mr. Walker has served as Executive Vice President since December 30, 2002.

(2) Mr. Walker has served as President of Walker Comm and as a Director since December 30, 2002.

(3) Mr. Heinz has served as Executive Vice President since April 2, 2004.

(4) Mr. Heater has served as Chief Financial Officer since July 15, 2003.

(5) The number of securities under options granted reflects the number of WPCS shares that may be purchased upon the exercise of options. We do not have any outstanding stock appreciation rights.

(6) Represents car allowance payments.

Employment Agreements

Contract with Andrew Hidalgo

On February 1, 2004, we entered into a three-year employment contract with Andrew Hidalgo, our Chairman and Chief Executive Officer. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is $168,000 per annum. In addition, Mr. Hidalgo is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Contract with Joseph Heater

On June 1, 2005, we entered into a three-year employment contract with Joseph Heater, our Chief Financial Officer. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is $140,000 per annum. In addition, Mr. Heater is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Contract with Donald Walker

On December 30, 2002, we entered into a four-year employment contract with an option to renew for an additional year, with Donald Walker, the Vice-President of Walker Comm, who is also an Executive Vice President. The base salary under the agreement is $140,000 per annum. In addition, Mr. Walker is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Walker is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Walker for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Walker is also entitled to receive an annual bonus of 3% of the operating income of Walker Comm: (i) after the elimination of all expenses related to (y) services provided to Walker Comm by WPCS or any affiliate thereof and (z) transactions between Walker Comm and WPCS or any affiliate thereof; and (ii) prior to the deduction of interest, taxes, depreciation and amortization.

Contract with Gary Walker

On December 30, 2002, we entered into a four-year employment contract with an option to renew for an additional year, with Gary Walker, the President of Walker Comm, who is also a Director. The base salary under the agreement is $140,000 per annum. In addition, Mr. Walker is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Walker is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Walker for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Walker is also entitled to receive an annual bonus of 3% of the operating income of Walker Comm: (i) after the elimination of all expenses related to (y) services provided to Walker Comm by WPCS or any affiliate thereof and (z) transactions between Walker Comm and WPCS or any affiliate thereof; and (ii) prior to the deduction of interest, taxes, depreciation and amortization.

Contract with James Heinz

On April 2, 2004, we entered into a three-year employment contract with James Heinz, the President of Heinz, who is also an Executive Vice President. The base salary under the agreement is $140,000 per annum. In addition, Mr. Heinz is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Heinz is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Heinz for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Heinz is also entitled to receive an annual bonus of 2.5% of quarterly operating income, before the deduction of interest and income taxes of Heinz, WPCS Incorporated and Invisinet, Inc.

Contract with Richard Schubiger

On August 1, 2005, we entered into a three-year employment contract with Richard Schubiger, the President of Quality, who is also an Executive Vice President. The base salary under the agreement is $140,000 per annum. In addition, Mr. Schubiger is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Pursuant to the agreement, Mr. Schubiger earned a bonus of $36,000 for the calendar year ended December 31, 2005, resulting from Quality achieving at least $13 million in revenue and such revenue yielded a minimum of 12% in earnings before interest and taxes. Effective January 1, 2006, Mr. Schubiger is entitled to receive an annual bonus of 3.0% of earnings before the deduction of interest and income taxes of Quality.

Stock Option Plans

The 2002 Stock Option Plan was adopted by the Board of Directors in September 2002 and increased from 41,667 to 416,667 options on March 3, 2003, and approved by the stockholders in April 2004. The 2002 Plan provides for the issuance of up to 416,667 options. The 2006 Incentive Stock Plan was adopted by the Board of Directors and approved by the stockholders in September 2005. The 2006 Plan provides for the issuance of up to 400,000 shares and/or options.

2002 Stock Option Plan

The primary purpose of the 2002 Stock Option Plan is to attract and retain the best available personnel for us in order to promote the success of our business and to facilitate the ownership of our stock by employees. The 2002 Stock Option Plan is administered by our Board of Directors. Under the 2002 Stock Option Plan, key employees, officers, directors and consultants are entitled to receive awards. The 2002 Stock Option Plan permits the granting of incentive stock options and non-qualified stock options with the purchase price, vesting and expiration terms set by the Board of Directors.

2006 Incentive Stock Plan

The primary purpose of the 2006 Incentive Stock Plan is to attract and retain the best available personnel for us in order to promote the success of our business and to facilitate the ownership of our stock by employees. The 2006 Incentive Stock Plan is administered by our Board of Directors. Under the 2006 Incentive Stock Plan, key employees, officers, directors and consultants are entitled to receive awards. The 2006 Incentive Stock Plan permits the granting of incentive stock options, non-qualified stock options and shares of common stock with the purchase price, vesting and expiration terms set by the Board of Directors.

Option Grants During 2005 Fiscal Year

The following table provides information related to options granted to the named executive officers during the 2005 fiscal year. We do not have any outstanding stock appreciation rights.

Name	No. of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Expiration Date
Andrew Hidalgo	154,167	57.8%	6.60	10/6/2009
Gary Walker	2,084	0.8%	4.80	12/20/2009
James Heinz	10,000	3.8%	5.25	2/1/2010
Joseph Heater	25,000	9.4%	6.60	10/6/2009
Joseph Heater	10,000	3.8%	5.25	2/1/2010

Aggregated Option Exercises During 2005 Fiscal Year and Fiscal Year-End Option Values

The following table provides information related to employee options exercised by the named executive officers during the 2005 fiscal year and number and value of such options held at fiscal year-end.

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Andrew Hidalgo	-	-	154,167	-	-	-
Gary Walker	-	-	2,084	-	$ 313	-
James Heinz	-	-	10,000	-	-	-
Joseph Heater	-	-	25,000	-	-	-
Joseph Heater	-	-	10,000	-	-	-

(1) Based on the closing price of $4.95 per share on April 29, 2005.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

At the time of the following transactions, there were no affiliations between us and the other parties. As a result of these transactions, the other parties became affiliates. The obligations resulting from these transactions were ongoing after the close, resulting in payoffs to the other parties who became affiliates.

In connection with the acquisition of Walker Comm, we assumed a lease with a living trust established by Gary Walker, one of our Directors, who is the trustee and whose heirs are the beneficiaries of the trust. The lease is for a building and land located in Fairfield, California, which is occupied by our Walker Comm subsidiary. The lease calls for monthly rental payments of $4,642, with annual increases, calculated using the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area Consumer Price Index. For the fiscal years ended April 30, 2005, and 2004, the rent paid for this lease was $88,000 and $56,000, respectively. For each of the six months ended October 31, 2005 and 2004, the rent paid for this lease was $44,000. We believe the terms of this lease are no less favorable than those which could have been obtained between unrelated parties for similar transactions acting at arm's length.

On August 22, 2003, we acquired all of the outstanding shares of Clayborn, our wholly owned subsidiary, in exchange for an aggregate $900,000 cash consideration and 68,871 newly issued shares of our common stock. The Clayborn stockholders consisted of David Gove, the former President of Clayborn, and his spouse. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn stockholders of 50% of the quarterly post tax profits, as defined, of Clayborn and a final payment of any remaining balance on that date. Through October 31, 2005, payments of $50,000 have been made to the former Clayborn stockholders and the total remaining due is $1,050,000.

On April 2, 2004, we acquired all of the issued and outstanding common stock of Heinz. We acquired all of the issued and outstanding shares of Heinz from James Heinz, our Executive Vice President, for $1,000,000, as follows: (1) $700,000 of our common stock, based on the closing price of our common stock on March 30, 2004 of $11.76 per share, for an aggregate of 59,524 newly issued shares of our 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 was issued. Of the $200,000, $75,000 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 24, 2004, we acquired all of the issued and outstanding common stock of Quality, of which Richard Schubiger, our Executive Vice President, owned 33.33%. The aggregate consideration we paid to the Quality selling stockholders, net of acquisition transaction costs, was $7,457,913, of which $6,700,000 was paid pro rata to the Quality stockholders at closing. Additional purchase price adjustments of $757,913 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to our Internal Revenue Code Section 338(h)(10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 3, 2006, and as adjusted to reflect the issuance of 2 million shares of common stock in this offering:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Name And Address Of Beneficial Owner (1)	Number of Shares Owned (2)	Percentage of Class Prior to Offering (3)	Percentage of Class After Offering (4)
Andrew Hidalgo	485,074 (5)	10.70%	7.43%
Joseph Heater	131,679 (5)	3.00%	2.06%
Donald Walker	16,667 (5)	*	*
James Heinz	69,524 (5)	1.63%	1.11%
Richard Schubiger	10,000 (5)	*	*
Norm Dumbroff	92,738 (5)	2.17%	1.48%
Neil Hebenton	23,988 (5)	*	*
Gary Walker	114,051 (5)	2.66%	1.81%
William Whitehead	30,155 (5)	*	*
All Officers and Directors as a Group (9 persons)	973,876 (5)	20.24%	14.30%
Special Situations Private Equity Fund, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	820,845 (6)	17.20%	12.12%
Special Situations Fund III QP, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	1,065,586 (6)	21.65%	15.39%

* Less than 1%.

(1) The address for each of our officers and directors is One East Uwchlan Avenue, Exton, PA 19341.

(2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of February 3, 2006 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(3) Percentage based on 4,251,236 shares of common stock issued and outstanding on February 3, 2006.

(4) Percentage based on 6,251,236 shares of common stock outstanding, assuming no exercise by the underwriter of its over-allotment option to purchase an additional 300,000 shares of common stock from us.

(5) Includes the following number of shares of common stock which may be acquired by certain officers and directors through the exercise of stock options which were exercisable as of February 3, 2006 or become exercisable within 60 days of that date: Andrew Hidalgo, 280,857 shares; Joseph Heater, 131,679 shares; Donald Walker, 16,667 shares; James Heinz, 10,000 shares; Richard Schubiger, 10,000 shares; Norm Dumbroff, 21,904 shares; Neil Hebenton, 23,988; Gary Walker, 36,487 shares; William Whitehead, 28,155 shares; and all officers and directors as a group, 559,737 shares.

(6) Includes the following number of shares of common stock which may be acquired through the exercise of common stock purchase warrants which were exercisable as of February 3, 2006 or become exercisable within 60 days of that date: Special Situations Private Equity Fund, L.P., 520,831 shares and Special Situations Fund III QP, L.P., 670,402 shares. Information based upon a Form 4 filed on February 1, 2006 by Austin W. Marxe and David M. Greenhouse who share voting and investment control over all securities held by Special Situations Private Equity Fund, L.P. and Special Situations Fund III QP, L.P.

DESCRIPTION OF SECURITIES

The following description of our capital stock is a summary and is qualified in its entirety by the provisions of our certificate of incorporation, with amendments, all of which have been filed as exhibits to our registration statement of which this prospectus is a part.

Common Shares

We are authorized to issue up to 75,000,000 shares of common stock, par value $0.0001. As of February 3, 2006, there were 4,251,236 shares of common stock issued and outstanding and 816,667 shares reserved for issuance under our stock option plans. The holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by the stockholders. The holders of common stock are entitled to receive dividends ratably, when, as and if declared by the Board of Directors, out of funds legally available. In the event of our liquidation, dissolution or winding-up, the holders of common stock are entitled to share equally and ratably in all assets remaining available for distribution after payment of liabilities and after provision is made for each class of stock, if any, having preference over the common stock. The holders of shares of common stock, as such, have no conversion, preemptive, or other subscription rights and there are no redemption provisions applicable to the common stock.

Preferred Shares

We are authorized to issue up to 5,000,000 shares of preferred stock, par value $0.0001. As of February 3, 2006, no shares of preferred stock are issued and outstanding. The shares of preferred stock may be issued in series, and shall have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issuance of such stock adopted from time to time by the Board of Directors. The Board of Directors is expressly vested with the authority to determine and fix in the resolution or resolutions providing for the issuances of preferred stock the voting powers, designations, preferences and rights, and the qualifications, limitations or restrictions thereof, of each such series to the full extent now or hereafter permitted by the laws of the State of Delaware.

Warrants and Options

As of February 3, 2006, we had outstanding warrants and options to acquire approximately 2,935,475 shares of common stock, exercisable at prices ranging between $4.80 and $19.92.

In connection with the sale of 100 units in a private placement during July to September 2003, each unit had 3,703.67 warrants, with each warrant representing the right to purchase one share of our common stock at an exercise price of $10.80 per share expiring from July 18, 2006 to September 5, 2006. The exercise price and the number of shares issuable upon exercise of the warrants will be adjusted upon the occurrence of certain events, including the issuance of common stock as a dividend on shares of common stock, subdivisions, reclassifications or combinations of the common shares or similar events. The warrants do not contain provisions protecting against dilution resulting from the sale of additional shares of common shares for less than the exercise price of the warrants or the current market price of our securities and do not entitle warrant holders to any voting or other rights as a stockholder until such warrants are exercised and common shares are issued.

Warrants may be redeemed in whole or in part at our option, upon 30 days' notice, at a redemption price equal to $0.12 per share of common stock issuable upon exercise of the warrants, if the closing price of the common shares is at least $15.00 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the warrants are called for redemption. Additionally, in connection with the sale of the 100 units, we issued the placement agent three-year warrants expiring September 3, 2006 to purchase 55,417 shares of our common stock at an exercise price of $9.00 per share. As of February 3, 2006, there were 424,118 warrants issued in that offering that are outstanding.

On November 16, 2004, we sold 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants to eight investors in a private placement. Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by us, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. The warrants are callable by us, upon 30 days' notice, should the common stock trade at or above $25.20 per share for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period. In addition, Punk, Ziegel & Company, L.P., the placement agent in this transaction, received warrants to purchase 62,500 shares of common stock, exercisable for a period of five years at an exercise price of $4.80 per share. As of February 3, 2006, there were 1,717,653 warrants issued in that offering that are outstanding.

Transfer Agent

Interwest Transfer Co., Inc., 1981 E. Murray Holladay Road, Suite 100, Salt Lake City Utah 84117, is the transfer agent and registrar for our common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding 6,251,236 shares of common stock, assuming no exercise of the underwriter's over-allotment option or outstanding options or warrants. All of the shares of common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless purchased by our affiliates as that term is defined in Rule 144 under the Securities Act. Not including shares of common stock issuable upon exercise of outstanding options or warrants, the 1,109,337 shares of common stock held by Special Situations Private Equity Fund, L.P., Special Situations Fund III QP, L.P. and our directors and executive officers after the offering will be "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144 under the Securities Act.

In addition, holders of our outstanding options and warrants have the right to acquire 2,935,475 shares of common stock issuable upon the exercise of stock options and warrants at exercise prices ranging from $4.80 to $19.92 per share, with a weighted average exercise price of $8.37. We have registered all but 21,250 of the underlying shares described above for resale.

We and our executive officers and directors have agreed that, without the prior written consent of Punk, Ziegel & Company, L.P. and subject to certain exceptions described under “Underwriting” below, for a period of 90 days following the date of this prospectus, we and they will not offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of common stock. Upon expiration of this lock-up period, or to the extent restricted shares are not subject to the lock-up restrictions, the restricted shares will be available for sale in the public market, subject to Rule 144 and Rule 701 of the Securities Act.

Rule 144

In general, under Rule 144 of the Securities Act as currently in effect, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated, such as an affiliate) who has beneficially owned restricted shares for at least one year, is permitted to sell, within any three-month period, the number of such restricted shares that does not exceed the greater of:

- one percent of the then-outstanding shares of our common stock; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding such sale.

Sales under Rule 144 are subject to restrictions relating to manner of sale, notice and the availability of current public information about us.

Rule 144(k)

In addition, under Rule 144(k) of the Securities Act, a person who was not an affiliate of our company at any time within the three months preceding a sale, and who has beneficially owned shares for at least two years, may sell such shares immediately following this offering without having to comply with volume limitations, manner of sale provisions, notice or other requirements of Rule 144.

UNDERWRITING

We and Punk, Ziegel & Company, L.P., the underwriter, intend to enter into an underwriting agreement with respect to the shares being offered. Subject to the terms and conditions of the underwriting agreement, the underwriter has agreed to purchase from us the number of shares of our common stock set forth on the cover page of this prospectus at the public offering price, less the underwriting discount, set forth on the cover page of this prospectus.

The underwriting agreement provides that the obligations of the underwriter to purchase the shares of common stock offered hereby are conditional and may be terminated at its discretion based on its assessment of the state of the financial markets. The obligations of the underwriter may also be terminated upon the occurrence of other events specified in the underwriting agreement. The underwriter is committed to purchase all of the shares of common stock being offered by us if any shares are purchased.

The underwriter proposes to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus. The underwriter may offer the common stock to securities dealers at the price to the public less a concession not in excess of $ per share. Securities dealers may reallow a concession not in excess of $ per share to other dealers. After the shares of common stock are released for sale to the public, the underwriter may vary the offering price and other selling terms from time to time.

We have granted to the underwriter an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to an aggregate of 300,000 additional shares of common stock at the public offering price set forth on the cover page of this prospectus, less the underwriting discount. The underwriter may exercise this option only to cover over-allotments, if any, made in connection with the sale of common stock offered hereby.

The following table summarizes the compensation to be paid to the underwriter by us and the proceeds, before expenses, payable to us.

		Total	
	Per Share	Without Over-Allotment	With Over-Allotment
Public Offering Price	$	$	$
Underwriting Discount			
Proceeds to Us (before expenses)			

We estimate that the total expenses of this offering, excluding the underwriting discount, will be approximately $ ..

We have agreed to indemnify the underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments the underwriter may be required to make in respect of any such liabilities.

Punk, Ziegel & Company, L.P. and its affiliates have in the past provided, and may in the future from time provide, investment banking and general financial advisory services to us on customary terms, for which they have in the past received, and may in the future receive, customary fees.

Our directors and executive officers have agreed with the underwriter that, for a period of 90 days following the date of this prospectus, they will not offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of common stock. However, in the event that either (1) during the last 17 days of this "lock-up" period, we issue an earnings release or material news release or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings release or material news release or the occurrence of the material news or event, as applicable, unless Punk Ziegel & Company, L.P. waives such extension in writing. In addition, so long as the transferee agrees to be bound by the terms of the lock-up agreement, a director or executive officer may transfer his or her securities by gift or for estate planning purposes and in some other circumstances. We have entered into a similar "lock-up" agreement with the underwriter.

The underwriter has informed us that it will not confirm sales to accounts over which it exercises authority without prior written approval of the customer.

The underwriter may engage in over-allotment, stabilizing transactions, syndicate-covering transactions and passive market making in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Covered short sales are sales made in an amount not greater than the number of shares available for purchase by the underwriter under the over-allotment option. The underwriter may close out a covered short sale by exercising its over-allotment option or purchasing shares in the open market. Naked short sales are sales made in an amount in excess of the number of shares available under the over-allotment option. The underwriter must close out any naked short sale by purchasing shares in the open market. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate-covering transactions involve purchases of the shares of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In passive market making, market makers in the shares of common stock who are underwriters or prospective underwriters may, subject to certain limitations, make bids for or purchases of the shares of common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions and syndicate-covering transactions may cause the price of the shares of common stock to be higher than it would otherwise be in the absence of these transactions. These transactions may be commenced and discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by the underwriter or selling group members, if any, participating in this offering. Additionally, the underwriter participating in this offering may distribute prospectuses electronically to prospective investors. Other than the prospectus in electronic format, the information on these websites is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or the underwriter in its capacity as underwriter, and should not be relied upon by investors.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Certificate of Incorporation limits, to the maximum extent permitted by Delaware law, the personal liability of directors for monetary damages for breach of their fiduciary duties as a director. Our Bylaws provide that we shall indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by Delaware law.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify a director, officer, employee or agent made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or was serving at the request of the corporation against expenses actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and with respect to any criminal action, had no reasonable cause to believe his or her conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been advised that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

LEGAL MATTERS

The validity of the shares of common stock being offered hereby will be passed upon for us by Sichenzia Ross Friedman Ference LLP, New York, New York. Certain legal matters in connection with this offering will be passed on for the underwriters by Fulbright & Jaworski L.L.P., New York, New York.

EXPERTS

The consolidated financial statements of WPCS International Incorporated as of and for the fiscal years ended April 30, 2005 and 2004, included in this prospectus, have been included herein in reliance on the report of J.H. Cohn LLP, Independent Registered Public Accounting Firm, given on the authority of that firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a Registration Statement on Form SB-2 with the Securities and Exchange Commission regarding this offering. This prospectus, which is part of the registration statement, does not contain all of the information included in the registration statement, and you should refer to the registration statement and its exhibits to read that information. You may read and copy the registration statement, related exhibits and the reports, proxy statements and other information we file with the SEC at the SEC's public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of those documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file with the SEC. The site's internet address is www.sec.gov.

You may also request a copy of these filings, at no cost, by writing or telephoning us at:

WPCS International Incorporated
One East Uwchlan Avenue
Suite 301
Exton, PA 19341
(610) 903-0400

WPCS INTERNATIONAL INCORPORATED

INDEX TO FINANCIAL STATEMENTS

The Financial Statements required by Item 310 of Regulation S-B are stated in U.S. dollars and are prepared in accordance with U.S. Generally Accepted Accounting Principles.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
WPCS International Incorporated

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2005 and 2004, and their consolidated results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ J.H. COHN LLP

Roseland, New Jersey
July 15, 2005

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	April 30, 2005	April 30, 2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 989,252	$ 1,984,636
Accounts receivable, net of allowance of $75,786 and $61,779 at April 30, 2005 and 2004, respectively	9,907,316	5,909,879
Costs and estimated earnings in excess of billings on uncompleted contracts	908,955	2,123,031
Inventory	885,624	104,799
Prepaid expenses and other current assets	536,331	264,076
Deferred income taxes	112,000	60,000
Total current assets	13,339,478	10,446,421
PROPERTY AND EQUIPMENT, net	1,560,271	1,005,760
CUSTOMER LISTS	1,158,388	603,333
GOODWILL	13,961,642	8,681,870
OTHER ASSETS	156,932	144,713
Total assets	$ 30,176,711	$ 20,882,097

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

CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	April 30, 2005	April 30, 2004
		(Note 1)
CURRENT LIABILITIES:		
Borrowings under lines of credit	$ 382,281	$ 551,000
Current maturities of capital lease obligation	2,073	2,534
Current maturities of loans payable	187,420	94,056
Accounts payable and accrued expenses	5,338,813	4,732,200
Billings in excess of costs and estimated earnings on uncompleted contracts	1,204,491	2,162,452
Due to shareholders	915,290	88,157
Income taxes payable	24,790	223,753
Deferred income taxes	139,000	196,100
Total current liabilities	8,194,158	8,050,252
Capital lease obligation, net of current portion	-	2,073
Loans payable, net of current portion	261,455	170,362
Due to shareholders, net of current portion	927,005	1,026,755
Deferred income taxes	439,000	344,900
Total liabilities	9,821,618	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, 3,821,385 and 1,737,498 shares issued and outstanding at April 30, 2005 and 2004, respectively	382	174
Additional paid-in capital	21,107,240	11,993,387
Unearned consulting services	-	(38,559)
Accumulated deficit	(752,529)	(667,247)
Total shareholders' equity	20,355,093	11,287,755
Total liabilities and shareholders' equity	$ 30,176,711	$ 20,882,097

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended April 30, 2005	Year Ended April 30, 2004 (Note 1)
REVENUE	$ 40,148,233	$ 22,076,246
COSTS AND EXPENSES:		
Cost of revenue	32,445,470	17,286,099
Selling, general and administrative expenses	7,028,850	4,441,776
Depreciation and amortization	682,397	382,510
Total costs and expenses	40,156,717	22,110,385
OPERATING LOSS	(8,484)	(34,139)
OTHER EXPENSE:		
Interest expense	24,702	14,048
LOSS BEFORE INCOME TAX PROVISION	(33,186)	(48,187)
Income tax provision	(52,096)	(76,000)
NET LOSS	$ (85,282)	$ (124,187)
Basic and diluted net loss per common share	$ (0.03)	$ (0.08)
Basic and diluted weighted average number of common shares outstanding	2,679,529	1,521,697

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional Paid-In	Unearned Consulting	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Services	Deficit	Equity
BALANCE, MAY 1, 2003 (Note 1)	1,000	$ -	1,089,903	$ 109	$ 8,003,838	$ -	($543,060)	$ 7,460,887
Conversion of Series C Preferred Stock to common stock	(1,000)	-	148,833	15	(15)	-	-	-
Net proceeds from issuance of common stock through private placement	-	-	370,367	37	2,174,231	-	-	2,174,268
Issuance of common stock, acquisition of Clayborn Contracting Group, Inc.	-	-	68,871	7	867,761	-	-	867,768
Issuance of common stock, acquisition of Heinz Corporation	-	-	59,524	6	699,994	-	-	700,000
Fair value of stock options granted to nonemployees	-	-	-	-	196,166	-	-	196,166
Issuance of stock options for consulting services	-	-	-	-	51,412	(51,412)	-	-
Amortization of unearned consulting services	-	-	-	-	-	12,853	-	12,853
Net loss	-	-	-	-	-	-	(124,187)	(124,187)
BALANCE, APRIL 30, 2004 (Note 1)	-	$ -	1,737,498	$ 174	$ 11,993,387	$ (38,559)	$ (667,247)	$ 11,287,755

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)

	Preferred Stock		Common Stock		Additional Paid-In	Unearned Consulting	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Services	Deficit	Equity
Net proceeds from issuance of common stock through private placement	-	-	2,083,887	208	9,113,853	-	-	9,114,061
Amortization of unearned consulting services	-	-	-	-	-	38,559	-	38,559
Net loss	-	-	-	-		-	(85,282)	(85,282)
BALANCE, APRIL 30, 2005	-	$ -	3,821,385	$ 382	$ 21,107,240	$ -	$ (752,529)	$ 20,355,093

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended April 30, 2005	Year Ended April 30, 2004
OPERATING ACTIVITIES :		
Net loss	$ (85,282)	$ (124,187)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	682,397	382,510
Provision for doubtful accounts	14,007	91,137
Amortization of unearned consulting services	38,559	-
Fair value of stock options granted	-	209,019
Deferred income taxes	(134,000)	(218,800)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(1,898,625)	(2,422,541)
Costs and estimated earnings in excess of billings on uncompleted contracts	1,214,076	(1,379,816)
Inventory	(536,772)	11,976
Prepaid expenses	(14,306)	(51,319)
Other assets	(148,596)	(24,032)
Accounts payable and accrued expenses	(337,355)	2,354,024
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,146,930)	1,908,541
Income taxes payable	(328,751)	200,053
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,681,578)	936,565
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(215,844)	(86,011)
Acquisition of Clayborn, net of cash received	-	(722,177)
Acquisition of Quality, net of cash received	(6,708,904)	-
Acquisition of Heinz, net of cash received	(82,283)	(109,194)
Acquisition earn-out and other transaction costs	(17,553)	(497,677)
NET CASH USED IN INVESTING ACTIVITIES	(7,024,584)	(1,415,059)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year Ended April 30, 2005	2004
FINANCING ACTIVITIES:		
Repayment of advances from officers	-	(100,000)
Net proceeds from issuance of common stock	9,114,061	2,174,268
(Repayments) borrowings under lines of credit	(303,848)	461,000
Repayments of loans payable	(96,901)	(237,390)
Payments of capital lease obligations	(2,534)	(2,295)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,710,778	2,295,583
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(995,384)	1,817,089
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,984,636	167,547
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 989,252	$ 1,984,636

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	Year Ended April 30, 2005	Year Ended April 30, 2004 (Note 1)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 32,196	$ 15,770
Income taxes	$ 434,289	$ 105,193
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with acquisition of Clayborn and Heinz	$ -	$ 1,567,768
Conversion of Series C preferred stock to common stock	$ -	$ 15
Unpaid earn-out consideration related to acquisitions	$ -	$ 1,114,912
Unpaid purchase price adjustments related to acquisition	$ 742,295	$ -
Issuance of note for net noncash assets received in acquisition	$ -	$ 182,648
Reversal of accruals established in purchase accounting	$ 40,022	$ -
Issuance of notes for property and equipment	$ 192,210	$ 32,339

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying consolidated financial statements include the accounts of WPCS International Incorporated ("WPCS") and its wholly owned subsidiaries, WPCS Incorporated, Invisinet Inc. ("Invisinet"), Walker Comm Inc. ("Walker"), Clayborn Contracting Group, Inc. ("Clayborn") from August 22, 2003 (date of acquisition), Heinz Corporation ("Heinz") from April 2, 2004 (date of acquisition), and Quality Communications & Alarm Company ("Quality") from November 24, 2004 (date of acquisition), collectively the "Company." Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

The Company is an engineering company that focuses on the implementation requirements of wireless technology and specialty communication systems. The Company provides a range of services including site design, product integration, security, structured cabling, engineering, project management and technical support.

Effective January 10, 2005, a majority of the Company's shareholders approved a one-for-twelve reverse stock split of the Company's common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share. Consequently, the reverse stock split has been reflected retroactively in the accompanying financial statements and notes for all periods presented and all applicable references as to the number of common shares and per share information, stock options, warrants and market prices have been restated to reflect this reverse stock split. In addition, shareholders' equity has been restated for all periods presented for the aggregate par value of the number of common shares that were reclassified to additional paid-in capital as a result of the reverse stock split.

On August 22, 2003, the Company acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 68,871 newly issued shares of the Company's common stock with a fair value of approximately $868,000 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, as defined, of Clayborn and a final payment of any remaining balance on that date.

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 $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005 and $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 24, 2004, we acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs was $7,442,295, of which $6,700,000 was paid at closing. Additional purchase price adjustments of $742,295 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338(h)(10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

Note 2 - Summary of Significant Accounting Policies

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

Concentrations of Credit Risk

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

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $1,333,413 which is expected to be collected within one year.

Inventory

As a result of the acquisition of Quality, inventory consists primarily of materials, parts and supplies principally valued using the first-in-first-out (FIFO) method.

Property and Equipment

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

Goodwill

In accordance with Statement of Financial Accounting 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 definite 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company completed the initial step of impairment testing which indicated that no goodwill impairment existed as of April 30, 2005 and 2004. 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. The fair value of the Company's reporting units derived using discounted cash flow models exceeded the carrying values of the reporting units. Accordingly, step two was unnecessary and no impairment was recognized in the consolidated statement of operations for the years ended April 30, 2005 and 2004. On an ongoing basis, the Company expects to perform its annual impairment test during the fourth quarter absent any interim impairment indicators.

Goodwill through the years ended April 30, 2005 and 2004 consisted of the following:

Beginning balance, May 1, 2003	$	5,388,882
Clayborn acquisition		1,772,806
Heinz acquisition		1,065,799
Walker earn-out provision		441,793
Transaction costs		12,590
Beginning balance, May 1, 2004		8,681,870
Reversal of accruals established in purchase accounting		(40,022)
Heinz acquisition cost adjustments		(183,480)
Quality acquisition		5,496,064
Transaction costs		7,210
Ending balance, April 30, 2005	$	13,961,642

Revenue Recognition

The Company generates its revenue by providing engineering and deployment services for wireless infrastructure services and specialty communication systems The Company provides a range of engineering services including site design, construction, product integration, structured cabling, network security, project management and technical support.

The Company records revenue and profit on these contracts on a percentage-of-completion basis using 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. 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.

Other Concentrations

For the year ended April 30, 2005, the Company had revenue from one customer totaling approximately $6,200,000, which comprised 15.5% of total revenue. Management believes there is no significant business vulnerability regarding the concentration of revenue due to the Company's strong relationship with this customer and the customer's financial strength.

The Company has approximately 110 union employees. A contract with these union employees expires November 30, 2008.

Income Taxes

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

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) divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common stock issuable through stock options, restrictive stock awards, warrants and other convertible securities. At April 30, 2005, the Company had 454,896 stock options and 2,572,171 warrants outstanding which are potentially dilutive securities. At April 30, 2004, the Company had 299,322 stock options and 425,784 warrants outstanding which are potentially dilutive securities. Basic and fully diluted EPS is the same since the effect of the assumed exercise of stock options and warrants would be antidilutive.

Stock-Based Compensation Plans

SFAS 123(R) (revised December 2004), Share-Based Payment, an amendment of SFAS 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As a result of the amendments to SFAS 123, the Company will be required to expense the fair value of employee stock options beginning with its fiscal year ending April 30, 2007. The new standard will require the Company to expense the fair value of employee stock options and other share-based payments over the vesting period. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position or results of operations.

As currently permitted by SFAS 123, the Company has elected to continue to account for its stock-based compensation plans in accordance with the intrinsic-value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 (“APB 25”), Accounting for Stock Issued to Employees. Under APB 25, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The exercise price of all options granted to employees has been equal to or greater than the fair market value at the date of grant and, accordingly, the Company has not recognized compensation expense associated with its stock option plan. By making that election, the Company is required under SFAS 123 to provide pro forma disclosures of net loss and net loss per common share as if the fair value based method of accounting had been applied. The following table illustrates the effect on net loss and net loss per common share for fiscal 2005 and 2004 as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation.

The Company applies the intrinsic value method in accounting for its stock-based compensation plan. Had the Company measured compensation under the fair value method for stock options granted and amortized the cost over the related vesting period, the Company’s net loss and net loss per share attributable to common shareholders would have been as follows:

		2005		2004
Net loss, as reported	$	(85,282)	$	(124,187)
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of tax		(452,820)		(300,838)
Net loss, Pro forma	$	(538,102)	$	(425,025)
Basic net loss per share				
As reported	$	(0.03)	$	(0.08)
Pro forma	$	(0.20)	$	(0.28)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for the year ended April 30, 2005: risk-free interest rate range of 3.51% to 4.22%, dividend yield of 0%, expected life of 5 years and volatility range 28.4% to 44.9%. For the year ended April 30, 2004, risk-free interest rate range of 2.80% to 3.61%, dividend yield of 0%, expected life of 5 years and volatility range 71.0% to 73.2% were used.

Use of Estimates

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

Recently Issued Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on our financial position or results of operations.

Note 3 - Acquisitions

In accordance with SFAS No. 141, "Business Combinations," acquisitions of businesses are accounted for under the purchase 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 purchase price consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

Clayborn

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 $2,932,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for $900,000 cash consideration and $64,000 of transaction costs, and 68,871 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 , as defined, of Clayborn and a final payment of any remaining balance on that date.

The adjusted 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		1,775,447
		3,661,091
Liabilities assumed:		
Accounts payable		(294,992)
Accrued expenses		(136,119)
Notes payable		(184,611)
Deferred tax liability		(113,800)
		(729,522)
Purchase price	$	2,931,569

Heinz

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 $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005, $75,000 is payable on the second anniversary 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 initial current and long-term discounted present value at April 2, 2004 of this note was $71,429 and $111,219, respectively.

Heinz is a St. Louis, Missouri based provider of in-building wireless infrastructure services for both cellular and WiFi applications, including consulting, integration and deployment services for wireless infrastructure. In addition, Heinz has performed fixed wireless services, structured cabling, and cellular base station equipment deployment 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.

A valuation of certain assets was completed, including property and equipment, backlog, list of major customers, and the Company internally determined the fair value of its other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and income approaches. The initial purchase price allocation in 2004 has been adjusted as a result of final valuation in 2005, with fixed assets increasing in value by $24,000, customer lists being valued at $220,000 and backlog being valued at $65,000, resulting in a decrease in goodwill by these combined amounts. Accordingly, a deferred tax liability of $119,000 was recorded since the amortization of customer lists and backlog is not available as a tax deduction to the Company. The aggregate changes resulted in goodwill being decreased to approximately $847,000 as of the acquisition date.

The final purchase price allocation, as adjusted, has been determined as follows:

Assets purchased:		
Cash	$	8,052
Accounts receivable		593,667
Costs in excess of billings		103,459
Fixed assets		47,440
Customer lists		220,000
Backlog		65,000
Other assets		71,128
Goodwill		846,866
		1,955,612
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)
Deferred tax liability		(119,000)
		(944,362)
Purchase price	$	1,011,250

Quality

On November 24, 2004, the Company acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs of $172,578, was $7,442,295, of which $6,700,000 was paid at closing. Additional purchase price adjustments of $742,295 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338 (h) (10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

Quality is a Lakewood, New Jersey based provider of specialty communication services. The acquisition of Quality gives the Company additional project engineering expertise for specialty communication opportunities, broadens its customer base especially in the public safety sector and gaming industry, and expands its geographic presence in the Northeastern United States. The financing for this transaction was completed through the issuance of common stock as described in Note 11.

A valuation of certain assets was completed, including property and equipment, list of major customers, and the Company internally determined the fair value of its other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and income approaches.

The final purchase price allocation has been determined as follows:

Assets purchased:		
Cash	$	163,674
Accounts receivable		2,124,587
Inventory		244,053
Fixed assets		495,145
Prepaid expenses		70,447
Customer lists		580,000
Other assets		6,000
Goodwill		5,496,064
		9,179,970
Liabilities assumed:		
Accounts payable		(912,736)
Accrued expenses		(271,991)
Income taxes payable		(84,663)
Line of credit borrowings		(135,129)
Notes payable		(160,578)
		(1,565,097)
Purchase price	$	7,614,873

The following unaudited pro forma financial information presents the combined results of operations of the Company and Quality as if the acquisition had occurred on May 1, 2004, and the Company, Clayborn, Heinz and Quality, as if the acquisitions 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 and the issuance of common stock described in Note 11 to finance the acquisition of Quality. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, Clayborn, Heinz, and Quality been a single entity during these periods.

	2005	2004
Revenue	$ 46,810,720	$ 35,830,021
Net income	$ 59,741	$ 167,227
Weighted average number of shares used in calculation:		
Basic net income per share	3,821,385	3,821,385
Diluted net income per share	3,871,845	4,069,476
Pro forma net income per common share		
Basic	$ 0.02	$ 0.04
Diluted	$ 0.02	$ 0.04

For all acquisitions, customer lists are amortized over a period of five to six years and backlog is amortized over a period of one year from the date of acquisition. The Company recorded amortization expense related to customer lists and backlog of $310,000 and $154,000 for the years ended April 30, 2005 and 2004, respectively. With the exception of goodwill related to the Quality acquisition, any future goodwill impairments will not be deductible for income tax purposes.

Note 4 - Costs and Estimated Earnings on Uncompleted Contracts

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

	2005	2004
Costs incurred on uncompleted contracts	$ 25,474,753	$ 17,574,035
Estimated contract profit	4,983,102	4,699,280
	30,457,855	22,273,315
Less: billings to date	30,753,391	22,312,736
Net billings in excess	$ (295,536)	$ (39,421)
Costs and estimated earnings in excess of billings	$ 908,955	$ 2,123,031
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,204,491)	(2,162,452)
Net billings in excess	$ (295,536)	$ (39,421)

Note 5 - Property and Equipment

Property and equipment consist of the following at April 30:

	Estimated useful life(years)	2005	2004
Furniture and fixtures	5 - 7	$ 135,383	$ 163,778
Computers and software	3	373,325	247,062
Office equipment	5 - 7	46,480	30,437
Vehicles	5 - 7	1,141,011	624,304
Machinery and equipment	5	310,681	281,757
Leasehold improvements	3 - 10	218,938	192,349
		2,225,818	1,539,687
Less accumulated depreciation and amortization		665,547	533,927
		$ 1,560,271	$ 1,005,760

Depreciation and amortization expense for property and equipment for the years ended April 30, 2005 and 2004 was approximately $372,000 and $228,000, respectively.

Note 6 - Line of Credit

Walker maintained a revolving line of credit facility with a commercial bank, with a borrowing limit up to 70% of eligible Walker accounts receivable. As of April 30, 2005, the borrowing base was $700,000 and the outstanding balance was approximately $382,000. 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. In August 2004, Walker was awarded a contract of approximately $5,000,000, which required 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. The line of credit was collateralized by all of Walker's accounts receivable, inventory and equipment and bore interest at the Wall Street Journal Prime Index Rate plus 1.5% (7.25% as of April 30, 2005). In addition, the Company and certain executive officers of the Company personally guaranteed this line of credit facility. On June 3, 2005, this line of credit was paid off in connection with the credit agreement described below.

On June 3, 2005, the Company entered into a credit agreement with a new commercial bank. The credit agreement (the "Credit Agreement"), provides for a revolving line of credit in an amount not to exceed $5,000,000, together with a letter of credit facility not to exceed $500,000. The Company also entered into security agreements with the bank, pursuant to which each subsidiary granted a security interest to the bank in all of their assets.

Pursuant to the terms of the Credit Agreement, the Company is permitted to borrow up to $3,000,000 under the revolving credit line, based upon eligible receivables. Once the Company has provided financial statements to the bank which evidence that the Company has earnings before interest, taxes, depreciation and amortization of (i) $750,000 for the quarter ended July 31, 2005, (ii) $750,000 for the quarter ended October 31, 2005, and (iii) $2,500,000 for the year ended April 30, 2006, the revolving commitment amount will be increased to $5,000,000. The Credit Agreement contains customary covenants, including but not limited to (i) restrictions on the permitted ratio of total unsubordinated liabilities to tangible net worth plus subordinated indebtedness, (ii) the Company's total tangible net worth, (iii) working capital, (iv) minimum earnings before interest, taxes, depreciation and amortization, and (v) dividend restrictions. The loan commitment shall expire on August 31, 2008. The Company may prepay the loan at any time.

Loans under the Credit Agreement bear interest at a rate equal to either the bank's reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as the Company may request. The Company paid a facility fee to the bank of $50,000 on the closing date.

The Company used the initial funds provided by the loan, in the gross amount of $3,000,000, to repay existing bank debt at Walker of approximately $672,000, for the payment of approximately $742,000 to the former shareholders of our Quality subsidiary for monies due to them pursuant to the terms of the purchase of their company, and for working capital. A $500,000 letter of credit was also re-issued in favor of Walker's surety bonding company for performance and payment bond collateral requirements described above.

Note 7 - Related Party Transactions

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the years ended April 30, 2005 and 2004 the rent paid for this lease was $88,000 and $56,000, respectively.

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, as defined, of Clayborn and the payment of the remainder on that date.

In connection with the acquisition of Heinz, a $200,000 non-interest bearing promissory note was issued. Of the $200,000, $75,000 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

In connection with the acquisition of Quality, approximately $742,000 of additional purchase price consideration was paid to the selling shareholders in June 2005 for working capital adjustments and income tax reimbursements.

Note 8 - Retirement Plans

The Company and its subsidiaries participate in employee savings plans under Section 401(k) of the Internal Revenue Code pursuant to which eligible employees may elect to defer a portion of their annual salary by contributing to the plans. There were $8,800 and $4,000 in contributions made for the years ended April 30, 2005 and 2004, respectively.

The Company also contributes to multi-employer pension plans which provide benefits to union employees covered by a collective bargaining agreement. Cost of revenue includes approximately $2,178,000 and $1,210,000 for such costs for the years ended April 30, 2005 and 2004, respectively.

Note 9 - Income Taxes

The provision for income taxes for the years ended at April 30, 2005 and 2004 is summarized as follows:

	2005	2004
Current		
Federal	$ 99,000	$ 177,000
State	87,096	117,800
Deferred		
Federal	(76,000)	(49,000)
State	(58,000)	(169,800)
Totals	$ 52,096	$ 76,000

The actual provisions for income taxes reflected in the consolidated statements of operations for the years ended April 30, 2005 and 2004 differ from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax expense and the effective provision for income taxes are summarized as follows:

	2005	2004
Expected tax benefit at statutory rate (34%)	$ (12,000)	$ (16,000)
State and local taxes, net of federal tax benefit	19,000	76,000
Increase in valuation allowance	12,000	16,000
Other	33,096	-
	$ 52,096	$ 76,000

The tax effects of temporary differences which give rise to deferred tax assets and liabilities is summarized as follows:

	2005	2004
Deferred tax assets:		
Net operating loss carryforward	$ 113,000	$ 60,000
Allowance for doubtful accounts	29,000	26,000
Reserve for loss on work-in-progress	13,000	-
Customer lists	10,000	-
Federal benefit of deferred state tax liabilities	20,000	34,000
Valuation allowance	(73,000)	(60,000)
Net deferred tax assets - current	112,000	60,000
Deferred tax liabilities:		
Sec 481(a) adjustment for cash to accrual basis accounting		
- current	(104,000)	(106,000)
- long term	-	(106,000)
Non-deductible amortization of purchase price		
Inventory - current	(15,000)	(29,000)
Fixed assets - long term	(117,000)	(132,000)
Goodwill - long term	(65,000)	-
Federal benefit of deferred state tax liabilities - current	(20,000)	-
Customer lists - long term	(257,000)	(168,000)
Total	(578,000)	(541,000)
Net deferred tax liabilities	$ (466,000)	$ (481,000)

At April 30, 2005, the Company had net operating loss carryforwards for state tax purposes approximating $1,170,000 expiring through 2025. Due to the uncertainty of recognizing a tax benefit on these losses in certain states, the Company has provided a valuation allowance of $73,000 against the total deferred tax asset of $113,000 related to these losses.

Note 10 - Stock Option Plan

The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 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 no later than ten 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 April 30, 2005, there were 5,771 shares available for grant under the 2002 Plan. From time to time, the Company issues stock options to employees outside the plan. In 2005, the Company issued 44,000 stock options to employees outside the plan.

The following table summarizes the activity of the employee stock option plan for the year ended April 30, 2005 and 2004:

	Number of Shares		Weighted Average Exercise Price
Outstanding, May 1, 2003	6,418	$	17.41
Granted	334,864	$	12.31
Cancelled	(41,960)	$	12.97
Outstanding, May 1, 2004	299,322	$	12.49
Granted	266,890	$	6.15
Cancelled	(111,316)	$	6.58
Outstanding, April 30, 2005	454,896	$	8.77

The following is a summary of the status of stock options outstanding at April 30, 2005:

	Options outstanding		Options exercisable		
Exercise price	Shares under option	Weighted Average remaining life in years	Shares		Exercise price
4.80 - 5.35	80,764	4.75	52,336	$	4.80 - 5-35
6.10 - 9.00	257,131	4.08	241,174		6.10 - 9.00
10.92 - 14.40	77,248	3.38	61,263		10.92 - 14.40
15.00 - 18.60	29,335	1.62	29,335		15.00 - 18.60
19.92 - 27.96	10,418	3.10	10,418		19.92 - 27.96
Total	454,896		394,526		

The weighted-average fair value of options on the grant date was $6.15 and $12.31, respectively, for options granted during the years ended April 30, 2005 and 2004.

Note 11 - Shareholders' Equity

On November 16, 2004, the Company sold an aggregate of 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants to eight investors for $10,000,000. The common stock and the warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, the Company filed a resale registration statement on December 30, 2004 covering the common stock and the common stock issuable upon exercise of the warrants, which was declared effective by the SEC on January 18, 2005.

Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by the Company, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. The warrants are callable by the Company, upon 30 days' notice, should the common stock trade at or above $25.20 per share for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

The Company paid the placement agent of the offering a cash fee of $650,000 or 6.5% of the proceeds of the offering. In addition, the placement agent received warrants to purchase 62,500 shares of common stock, exercisable for a period of five years at an exercise price of $4.80 per share. The Company also paid a finders' fee of $100,000 to another third party in connection with the offering and incurred other related costs of $112,095. Accordingly, the Company received net proceeds of $9,137,905 from the offering.

In connection with the sale of the common stock and warrants, the Company effectuated a one-for-twelve reverse stock split of its outstanding common stock on January 10, 2005.

The following table summarizes the activity of the common stock purchase warrants for the year ended April 30, 2005 and 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding, May 1, 2003	-	-
Issued	425,784	$ 10.57
Outstanding, May 1, 2004	425,784	$ 10.57
Issued	2,146,387	$ 8.40
Outstanding, April 30, 2005	2,572,171	$ 8.76

Note 12 - Segment Reporting

The Company's reportable segments are determined and reviewed by management 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. Management evaluates performance based upon (loss) income 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 subsidiaries. Corporate assets include cash, prepaid expenses and deferred tax assets. Segment results for the years ended April 30, 2005 and 2004 are as follows:

	As of/Year ended April 30, 2005				As of/Year ended April 30, 2004			
	Corporate	Wireless Infrastructure	Specialty Communication	Total	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	$ -	$ 8,651,555	$ 31,496,678	$ 40,148,233	$ -	$ 4,568,714	$ 17,507,532	$ 22,076,246
Depreciation and Amortization	$ 20,423	$ 161,485	$ 500,489	$ 682,397	$ 98	$ 40,054	$ 342,358	$ 382,510
(Loss) income before income taxes	$ (1,206,486)	$ 783,014	$ 390,286	$ (33,186)	$ (924,882)	$ 361,160	$ 515,535	$ (48,187)
Goodwill	$ -	$ 2,479,410	$ 11,482,232	$ 13,961,642	$ -	$ 2,698,343	$ 5,983,527	$ 8,681,870
Total assets	$ 1,169,887	$ 4,604,335	$ 24,402,489	$ 30,176,711	$ 803,082	$ 6,387,166	$ 13,691,849	$ 20,882,097

Note 13 - Commitments and Contingencies

Employment Agreements

The Company has entered into employment contracts ranging from two to four years with its executive officers. The aggregate base salary commitments under these contracts at April 30, 2005 are approximately $1,800,000.

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

Lease Commitments

The Company leases its office facilities pursuant to non-cancelable operating leases expiring through February 2011. The Company also has non-cancelable vehicle leases. The minimum rental commitments under these non-cancelable leases at April 30, 2005 are summarized as follows:

Year ending April 30,	
2006	$ 386,054
2007	328,490
2008	237,096
2009	121,568
2010	105,941
Thereafter	90,480
Total minimum lease payments	$ 1,269,629

Rent expense for all operating leases was approximately $358,000 and $260,000 in 2005 and 2004, respectively.

Walker Comm, Inc. Acquisition

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which, a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary.

Clayborn Contracting Group, Inc. Acquisition

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 as defined, of Clayborn and the payment of the remainder on that date.

Heinz Corporation Acquisition

In connection with the acquisition of Heinz, a $200,000 non-interest bearing promissory note was issued. Of the $200,000, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Assets	**October 31, 2005** (Unaudited)	**April 30, 2005**
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,800,224	$ 989,252
Accounts receivable, net of allowance of $93,786 and $75,786 at October 31, 2005 and April 30, 2005, respectively	12,322,495	9,907,316
Costs and estimated earnings in excess of billings on uncompleted contracts	1,966,928	908,955
Inventory	615,239	885,624
Prepaid expenses and other current assets	689,348	536,331
Deferred income taxes	92,000	112,000
Total current assets	17,486,234	13,339,478
PROPERTY AND EQUIPMENT, net	1,514,489	1,560,271
CUSTOMER LISTS, net	1,009,555	1,158,388
GOODWILL	14,108,283	13,961,642
DEBT ISSUANCE COSTS, net	137,206	-
OTHER ASSETS	89,343	156,932
Total assets	$ 34,345,110	$ 30,176,711

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	**October 31, 2005** (Unaudited)	**April 30, 2005**
CURRENT LIABILITIES:		
Borrowings under line of credit	$ -	$ 382,281
Current portion of capital lease obligation	708	2,073
Current portion of loans payable	202,083	187,420
Accounts payable and accrued expenses	5,144,023	5,338,813
Billings in excess of costs and estimated earnings on uncompleted contracts	1,603,502	1,204,491
Due to shareholders	122,995	915,290
Income taxes payable	788,151	24,790
Deferred income taxes	183,000	139,000
Total current liabilities	8,044,462	8,194,158
Borrowings under line of credit	3,000,000	-
Loans payable, net of current portion	295,467	261,455
Due to shareholders, net of current portion	927,005	927,005
Deferred income taxes	323,000	439,000
Total liabilities	12,589,934	9,821,618
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, 3,883,885 and 3,821,385 shares issued and outstanding at October 31, 2005 and April 30, 2005, respectively	388	382
Additional paid-in capital	21,407,234	21,107,240
Retained earnings(accumulated deficit)	347,554	(752,529)
Total shareholders' equity	21,755,176	20,355,093
Total liabilities and shareholders' equity	$ 34,345,110	$ 30,176,711

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended October 31, 2005	Six Months Ended October 31, 2004
REVENUE	$ 26,421,882	$ 17,574,419
COSTS AND EXPENSES:		
Cost of revenue	19,469,223	14,224,298
Selling, general and administrative expenses	4,615,608	2,911,112
Depreciation and amortization	421,060	246,693
Total costs and expenses	24,505,891	17,382,103
OPERATING INCOME	1,915,991	192,316
Interest expense	94,800	12,763
INCOME BEFORE INCOME TAX PROVISION	1,821,191	179,553
Income tax provision	721,108	71,895
NET INCOME	$ 1,100,083	$ 107,658
Basic net income per common share	$ 0.29	$ 0.06
Diluted net income per common share	$ 0.29	$ 0.06
Basic weighted average number of common shares outstanding	3,837,689	1,737,498
Diluted weighted average number of common shares outstanding	3,846,313	1,804,162

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED OCTOBER 31, 2005
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Retained Earnings (Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit)	Equity
BALANCE, APRIL 30, 2005	-	$ -	3,821,385	$ 382	$ 21,107,240	($752,529)	$ 20,355,093
Proceeds from exercise of warrants	-	-	62,500	6	299,994	-	300,000
Net income	-	-	-	-	-	1,100,083	1,100,083
BALANCE, OCTOBER 31, 2005	-	$ -	3,883,885	$ 388	$ 21,407,234	$ 347,554	$ 21,755,176

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended October 31, 2005	Six Months Ended October 31, 2004
OPERATING ACTIVITIES :		
Net income	$ 1,100,083	$ 107,658
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	421,060	246,693
Provision for doubtful accounts	18,000	-
Amortization of debt issuance costs	21,581	-
Amortization of unearned consulting services	-	25,706
Deferred income taxes	(52,000)	(135,000)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(2,435,329)	(895,607)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,057,973)	(229,729)
Inventory	270,385	-
Prepaid expenses and other current assets	(153,017)	11,198
Other assets	18,786	(24,980)
Accounts payable and accrued expenses	(222,781)	693,501
Billings in excess of costs and estimated earnings on uncompleted contracts	399,011	(774,796)
Income taxes payable	749,843	(56,411)
NET CASH USED IN OPERATING ACTIVITIES	(922,351)	(1,031,767)
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(137,767)	(78,908)
Acquisition of Quality, net of cash received	(757,913)	-
Acquisition transaction costs	(4,303)	(22,163)
NET CASH USED IN INVESTING ACTIVITIES	(899,983)	(101,071)
FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	300,000	-
Equity issuance costs	-	(26,888)
Debt issuance costs	(158,787)	-
Borrowings (repayments) under lines of credit	2,617,719	(172,769)
Repayments of loans payable	(74,261)	(18,403)
Repayment of amounts due to shareholders	(50,000)	-
Payments of capital lease obligations	(1,365)	(1,235)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,633,306	(219,295)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	810,972	(1,352,133)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	989,252	1,984,636
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,800,224	$ 632,503

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	Six Months Ended October 31,	
	2005	**2004**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 82,756	$ 14,063
Income taxes	$ 31,290	$ 265,671
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Reversal of accruals established in purchase accounting	$ 2,150	$ 51,790
Issuance of notes for property and equipment	$ 122,936	$ 25,930

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 interim financial statements and do not include all of the information and note 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, 2005 included elsewhere in this prospectus. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) 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 six month period ended October 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2006. 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"), Heinz Corporation ("Heinz"), and Quality Communications & Alarm Company ("Quality") from November 24, 2004 (date of acquisition), collectively the "Company."

The Company is an engineering company that focuses on the implementation requirements of wireless technology and specialty communication systems. The Company provides a range of services including site design, product integration, security, structured cabling, engineering, project management and technical support.

Effective January 10, 2005, a majority of the Company's shareholders approved a one-for-twelve reverse stock split of the Company's common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share. Consequently, the reverse stock split has been reflected retroactively in the accompanying financial statements and notes for all periods presented and all applicable references as to the number of common shares and per share information, stock options, warrants and market prices have been restated to reflect this reverse stock split. In addition, shareholders' equity has been restated for all periods presented for the aggregate par value of the number of common shares that were reclassified to additional paid-in capital as a result of the reverse stock split.

Note 2 - Summary of Selected Significant Accounting Policies

A summary of selected significant accounting policies consistently applied in the preparation of the accompanying condensed consolidated financial statements follows (additional policies are set forth in the Company's audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2005 included elsewhere in this prospectus):

Goodwill

In accordance with Statement of Financial Accounting 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 at least annually, 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 based on the excess, if any, of the reporting unit's carrying value over its fair value.

The Company determines the fair value of the businesses acquired for purposes of the initial 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. The Company performs its annual impairment test during the fourth quarter absent any interim impairment indicators.

Changes in goodwill during the six months ended October 31, 2005 are as follows:

Beginning balance, May 1, 2005	$	13,961,642
Additional transaction costs for prior acquisitions		2,675
Clayborn acquisition purchase price adjustment		48,803
Quality acquisition purchase price adjustments		95,163
Ending balance, October 31, 2005	$	14,108,283

Revenue Recognition

The Company generates its revenue by providing engineering and deployment services for wireless infrastructure services and specialty communication systems. The Company provides a range of engineering services including, site design, construction, product integration, structured cabling, network security, project management and technical support.

The Company records revenue and profit on these contracts on a percentage-of-completion basis using 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 engineering 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. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. 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 Per Share

Earnings per common share is computed pursuant to SFAS No. 128, "Earnings Per Share" ("EPS"). Basic income per common share is computed as net income 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 October 31, 2005, the Company had 800,154 stock options and 2,509,671 warrants outstanding which are potentially dilutive securities. At October 31, 2004, the Company had 408,207 stock options and 425,784 warrants outstanding which were potentially dilutive securities.

For the six months ended October 31, 2005, 747,818 stock options and 2,509,671 warrants were not included in the computation of fully diluted earnings per share, because the stock option and warrant exercise prices exceeded the market price of the common stock and, therefore, the effects would be antidilutive. The assumed conversion of the remaining 52,336 stock options resulted in a 8,624 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, useful life of customer lists, deferred tax valuation allowance, the fair values of the assets and liabilities of purchased businesses and the factors related to determining if goodwill is impaired. Actual results could differ from those estimates.

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 purchase price consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

Quality

On November 24, 2004, the Company acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs of $176,356, was $7,457,913, of which $6,700,000 was paid at closing. Additional purchase price adjustments of $757,913 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338 (h) (10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

Quality is a Lakewood, New Jersey based provider of specialty communication services. The acquisition of Quality gives the Company additional project engineering expertise for specialty communication opportunities, broadens its customer base especially in the public safety sector and gaming industry, and expands its geographic presence in the Northeastern United States.

A valuation of certain assets, including property and equipment, and list of major customers was completed and the Company internally determined the fair value of its other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and income approaches.

The purchase price allocation, as adjusted, has been determined as follows:

Assets purchased:		
Cash	$	163,674
Accounts receivable		2,124,587
Inventory		244,053
Fixed assets		460,887
Prepaid expenses		70,447
Customer lists		580,000
Other assets		6,000
Goodwill		5,591,227
		9,240,875
Liabilities assumed:		
Accounts payable		(940,727)
Accrued expenses		(271,991)
Income taxes payable		(98,181)
Line of credit borrowings		(135,129)
Notes payable		(160,578)
		(1,606,606)
Purchase price	$	7,634,269

The following unaudited pro forma financial information presents the combined results of operations of the Company and Quality for the six months ended October 31, 2004 as if the acquisition had occurred on May 1, 2004, after giving effect to certain adjustments, including the issuance of the Company's common stock to finance the acquisition of Quality. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and Quality been a single entity during the 2004 period.

		Six months ended October 31, 2004
		(Unaudited)
Revenue	$	22,880,061
Net income	$	340,129
Weighted average number of shares used in calculation:		
Basic net income per share		3,821,385
Diluted net income per share		3,888,049
Pro forma net income per common share:		
Basic	$	0.09
Diluted	$	0.09

Customer lists are amortized over a period of five to six years from the date of acquisition. The Company recorded amortization expense related to customer lists of $149,000 and $79,000 for the six months ended October 31, 2005 and 2004, respectively. With the exception of goodwill related to the Quality acquisition, any future goodwill impairments are not deductible for income tax purposes.

Note 4 - Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of the following at October 31, 2005:

Costs incurred on uncompleted contracts	$	23,655,301
Estimated contract profit		4,716,213
		28,371,514
Less: billings to date		28,008,088
Net costs in excess	$	363,426
Costs and estimated earnings in excess of billings	$	1,966,928
Billings in excess of costs and estimated earnings on uncompleted contracts		(1,603,502)
Net costs in excess	$	363,426

Note 5 - Related Party Transactions

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For each of the six months ended October 31, 2005 and 2004, the rent paid for this lease was $44,000.

In connection with the acquisition of Clayborn, an additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions to the former Clayborn shareholders, by payment of 50% of the quarterly post tax profits, as defined, of Clayborn and the payment of the remainder on that date. Through October 31, 2005, payments of $50,000 have been made to the former Clayborn shareholders and the total remaining due is $1,050,000.

In connection with the acquisition of Heinz, a $200,000 non-interest bearing promissory note was issued. Of the $200,000, $75,000 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

In connection with the acquisition of Quality, approximately $758,000 of additional purchase price consideration was paid to the selling shareholders in June 2005 for working capital adjustments and income tax reimbursements.

Note 6 - Line of Credit

On June 3, 2005, the Company entered into a credit agreement with a different commercial bank. The credit agreement (the “Credit Agreement”) provides for a revolving line of credit in an amount not to exceed $5,000,000, together with a letter of credit facility not to exceed $500,000. The Company also entered into security agreements with the bank, pursuant to which each subsidiary granted a security interest to the bank in all of their assets.

Pursuant to the terms of the Credit Agreement, the Company is permitted to borrow up to $3,000,000 under the revolving credit line, based upon eligible receivables. Once the Company has provided financial statements to the bank which evidence that the Company has earnings before interest, taxes, depreciation and amortization of (i) $750,000 for the quarter ended July 31, 2005, (ii) $750,000 for the quarter ended October 31, 2005, and (iii) $2,500,000 for the year ended April 30, 2006, the revolving commitment amount will be increased to $5,000,000. The Credit Agreement contains customary covenants, including but not limited to (i) restrictions on the permitted ratio of total unsubordinated liabilities to tangible net worth plus subordinated indebtedness, (ii) the Company’s total tangible net worth, (iii) working capital, (iv) minimum earnings before interest, taxes, depreciation and amortization, and (v) dividend restrictions. As of October 31, 2005, the Company was in compliance with the Credit Agreement covenants. The loan commitment shall expire on August 31, 2008. The Company may prepay the loan at any time.

Loans under the Credit Agreement bear interest at a rate equal to either the bank’s reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as the Company may request (6.625% as of October 31, 2005). The Company paid a facility fee to the bank of $50,000 on the closing date.

The Company used the initial funds provided by the loan, in the gross amount of $3,000,000, to repay existing bank debt at Walker of approximately $672,000, for the payment of approximately $758,000 to the former shareholders of our Quality subsidiary for monies due to them pursuant to the terms of the purchase of their company, and for working capital. A $500,000 letter of credit was also re-issued in favor of Walker’s surety bonding company for performance and payment bond collateral requirements.

Note 7 - Stock Option Plans

In September 2005, the Company adopted the 2006 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2006 Incentive Stock Plan, 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. Under the terms of the 2006 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. Through October 31, 2005, options to purchase 380,000 shares were granted at exercise prices ranging from $6.14 to $6.61. At October 31, 2005, there were 20,000 options to purchase shares available for issuance under the 2006 Incentive Stock Plan.

The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 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 October 31, 2005, there were no shares available for grant under the 2002 Plan. From time to time, the Company issued stock options to employees outside the Plan. Through October 31, 2005, the Company had issued 3,487 stock options to employees outside the Plan that remained outstanding.

As currently permitted by SFAS 123, "Accounting for Stock-Based Compensation," the Company has elected to continue to account for its stock-based compensation plans in accordance with the intrinsic-value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." Under APB 25, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The exercise price of all options granted to employees has been equal to or greater than the fair market value at the date of grant and, accordingly, the Company has not recognized compensation expense associated with its stock option plans. By making that election, the Company is required under SFAS 123 to provide pro forma disclosures of net income and net income per common share as if the fair value based method of accounting had been applied.

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 and amortized the cost over the related vesting period, the Company's net income (loss) and net income (loss) per share would have been as follows:

	Six months ended October 31, 2005	Six months ended October 31, 2004
Net income, as reported	$ 1,100,083	$ 107,658
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	73,143	375,991
Net income (loss), pro forma	$ 1,026,940	$ (268,333)
Basic net income (loss) per share		
As reported	$ 0.29	$ 0.06
Pro forma	$ 0.27	$ (0.15)
Diluted net income (loss) per share		
As reported	$ 0.29	$ 0.06
Pro forma	$ 0.27	$ (0.15)

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions. For the six months ended October 31, 2005, risk-free interest of 3.81%, dividend yield of 0%, expected life of 5 years and volatility range of 29.1% to 35.5% were used. For the six months ended October 31, 2004, risk-free interest of 3.51%, dividend yield of 0%, expected life of 5 years and volatility of 44.9% were used.

SFAS 123(R) (revised December 2004), "Share-Based Payment," a revision of SFAS 123, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As a result of the revisions to SFAS 123, the Company will be required to expense the fair value of employee stock options beginning with its quarter ending July 31, 2006. The revised standard will require the Company to expense the fair value of employee stock options and other share-based payments over the service period. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position or results of operations although it is likely that we will have to recognize additional compensation expense in periods after adoption.

Note 8 - Segment Reporting

The Company's reportable segments are determined and reviewed by management 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. Management evaluates performance based upon income (loss) before income taxes. Corporate loss or expense includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other subsidiaries. Corporate assets include cash, prepaid expenses and deferred tax assets. Segment results for the six months ended October 31, 2005 and 2004 are as follows.

	As of/Six Months Ended October 31, 2005				As of/Six Months Ended October 31, 2004			
	Corporate	Wireless Infrastructure	Specialty Communication	Total	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	$ -	$ 3,819,678	$ 22,602,204	$ 26,421,882	$ -	$ 5,207,507	$ 12,366,912	$ 17,574,419
Income (loss) before income taxes	$ (880,169)	$ 378,590	$ 2,322,770	$ 1,821,191	$ (675,161)	$ 817,655	$ 37,059	$ 179,553
Goodwill	$ -	$ 2,482,085	$ 11,626,198	$ 14,108,283	$ -	$ 2,651,161	$ 5,986,168	$ 8,637,329
Total assets	$ 1,868,055	$ 5,362,382	$ 27,114,673	$ 34,345,110	$ 240,270	$ 4,893,725	$ 15,338,693	$ 20,472,688

2,000,000 Shares

WPCS International Incorporated

Common Stock

PROSPECTUS

, 2006

PUNK, ZIEGEL & COMPANY

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. Indemnification of Directors and Officers.

Our Certificate of Incorporation limits, to the maximum extent permitted by Delaware law, the personal liability of directors for monetary damages for breach of their fiduciary duties as a director. Our Bylaws provide that we shall indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by Delaware law.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify a director, officer, employee or agent made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or was serving at the request of the corporation against expenses actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and with respect to any criminal action, had no reasonable cause to believe his or her conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been advised that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 25. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by WPCS International Incorporated in connection with the offer and sale of the securities being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$	2,932
NASD filing fee	$	3,240
NASDAQ listing fee		*
Transfer Agent's Fee		*
Printing and engraving costs		*
Legal fees and expenses		*
Accounting fees and expenses		*
Miscellaneous		*
Total	$	*

* To be provided by amendment.

Item 26. Recent Sales of Unregistered Securities.

Except as set forth below, there were no sales of unregistered securities by WPCS during the past three (3) years:

During July, August and September 2003, we sold an aggregate of 100 units to 40 accredited investors in a private placement for aggregate proceeds of $2,500,000. Each Unit consists of (i) 3,704 shares of our common stock, and (ii) warrants to purchase 3,704 shares of common stock, exercisable for a period of three years at an exercise price of $10.80 per share. The shares were issued in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

On August 22, 2003, we issued 68,871 shares of our common stock in exchange for all of the issued and outstanding shares of Clayborn Contracting Group, Inc. The shares were issued to one accredited investor in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

On April 2, 2004, we issued 59,524 shares of our common stock in exchange for all of the issued and outstanding shares of Heinz Corporation. The shares were issued to one accredited investor in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

On November 16, 2004, we sold an aggregate of $10,000,000 of our common stock and common stock purchase warrants to eight investors. We sold an aggregate of 2,083,337 shares of common stock and 2,083,337 warrants to the investors. The common stock and the warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, we filed a resale registration statement on December 30, 2004 covering the common stock and the common stock issuable upon exercise of the warrants, which was declared effective by the SEC on January 18, 2005.

Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by us, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. At any time after the registration statement is effective, the warrants are callable by us, upon 30 days notice, should the common stock trade at or above $25.20 for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

In September 2005, we issued 62,500 shares of common stock upon exercise of warrants in exchange for $300,000. The shares were issued to one accredited investor in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In December 2005, we issued 211,500 shares of common stock upon exercise of warrants in exchange for $1,776,600. The shares were issued to one accredited investor in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In January 2006, we issued 155,851 shares of common stock upon exercise of warrants in exchange for $1,310,148. The shares were issued to two accredited investors in transactions exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

Item 27. Exhibits.

The following exhibits are included as part of this Form SB-2. References to “us” in this Exhibit List mean WPCS International Incorporated, a Delaware corporation.

Exhibit No.	Description
1.1	Underwriting Agreement. *
3.1	Certificate of Incorporation, as amended. *
3.2	Amended and Restated Bylaws. *
4.1	Certificate of Designation of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 4.1 of wowtown.com, Inc.’s Form SB-2, filed June 8, 2000.
4.2	Certificate of Designation of Series B Convertible Preferred Stock, incorporated by reference to Exhibit 4.2 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed July 29, 2002.
4.3	Certificate of Designation of Series C Convertible Preferred Stock, incorporated by reference to Exhibit 4.3 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed August 14, 2003.
4.4	2002 Employee Stock Option Plan, incorporated by reference to Exhibit 4.4 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed August 14, 2003.
4.5	Form of 2003 Common Stock Purchase Warrant, incorporated by reference to Exhibit 4.5 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed August 14, 2003.
4.6	2006 Incentive Stock Plan, incorporated by reference to Exhibit 4.2 of WPCS International Incorporated’s registration statement on Form S-8, filed September 21, 2005.
5.1	Sichenzia Ross Friedman Ference LLP Opinion and Consent. *
10.1	Employment Agreement by and between WPCS International Incorporated and Andrew Hidalgo, dated as of February 1, 2004, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated’s registration statement on Form SB-2/A, filed April 30, 2004.
10.2	Employment Agreement by and among WPCS International Incorporated, Walker Comm, Inc, and Donald Walker, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed August 14, 2003.
10.3	Employment Agreement by and among WPCS International Incorporated, Walker Comm, Inc, and Gary Walker, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed August 14, 2003.
10.4	Employment Agreement by and between WPCS International Incorporated and Joseph Heater, dated as of June 1, 2005, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated’s Annual Report on Form 10-KSB, filed July 29, 2005.
10.5	Employment Agreement by and between Heinz Corporation and James Heinz, dated as of April 1, 2004, incorporated by reference to Exhibit 10.12 of WPCS International Incorporated’s registration statement on Form SB-2/A, filed April 30, 2004.
10.6	Employment Agreement by and between Quality Communications & Alarm Company, Inc. and Richard Schubiger, dated as of August 1, 2005 (filed herewith).
10.7	Agreement and Plan of Merger by and among Phoenix Star Ventures, Inc., WPCS Acquisition Corp., a Delaware corporation, WPCS Holdings, Inc., a Delaware corporation, and Andy Hidalgo, dated as of May 17, 2002, incorporated by reference to Exhibit 1 of WPCS International Incorporated’s Current Report on Form 8-K/A, filed June 12, 2002.
10.8	Agreement and Plan of Merger by and among WPCS International Incorporated, Invisinet Acquisitions Inc., Invisinet, Inc., J. Johnson LLC and E. J. von Schaumburg made as of the 13th day of November, 2002, incorporated by reference to Exhibit 3 of WPCS International Incorporated’s Current Report on Form 8-K, filed November 27, 2002.

10.9	Amendment to Invisinet Bonus Agreement, dated as of May 27, 2003, incorporated by reference to Exhibit 10.8 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003.
10.10	Agreement and Plan of Merger by and among WPCS International Incorporated, Walker Comm Merger Corp., Walker Comm, Inc., Donald C. Walker, Gary R. Walker, and Tanya D. Sanchez made as of the 30th day of December, 2002 (filed herewith).
10.11	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, incorporated by reference to Exhibit 3 of WPCS International Incorporated's Current Report on Form 8-K, filed August 29, 2003.
10.12	Agreement and Plan of Merger by and among WPCS International Incorporated, Heinz Acquisition Corp., Heinz Corporation and James Heinz made as of the 2nd day of April, 2004, incorporated by reference to Exhibit 3 of WPCS International Incorporated's Current Report on Form 8-K, filed April 9, 2004.
10.13	Stock Purchase Agreement by and among WPCS International Incorporated and Richard Schubiger, Matthew Haber and Brian Fortier, dated as of November 24, 2004, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed November 30, 2004.
10.14	Form of Securities Purchase Agreement, dated as of November 16, 2004, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed November 19, 2004.
10.15	Form of Common Stock Purchase Warrant, dated as of November 16, 2004, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed November 19, 2004.
10.16	Form of Registration Rights Agreement, dated as of November 16, 2004, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed November 19, 2004.
10.17	Credit Agreement by and among WPCS International Incorporated, Clayborn Contracting Group, Inc., Heinz Corporation, Invisinet, Inc., Quality Communications & Alarm Company, Inc., Walker Comm, Inc. and Bank Leumi USA, dated as of June 3, 2005, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed June 8, 2005.
10.18	Form of Security Agreement with Bank Leumi, dated as of June 3, 2005, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed June 8, 2005.
14	Code of Ethics and Business Conduct, incorporated by reference to Exhibit 14 of WPCS International Incorporated's annual report on Form 10-KSB, filed August 14, 2003.
21.1	Subsidiaries of the registrant (filed herewith).

23.1	Consent of J. H. Cohn LLP (filed herewith).
23.2	Consent of legal counsel (see Exhibit 5).

* To be filed by amendment

Item 28. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Exton, State of Pennsylvania, on February 7, 2006.

WPCS INTERNATIONAL INCORPORATED

By: */s/ ANDREW HIDALGO*

Andrew Hidalgo, Chairman, Chief Executive Officer (Principal Executive Officer) and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS:

That the undersigned officers and directors of WPCS International Incorporated, a Delaware corporation, do hereby constitute and appoint Andrew Hidalgo and Joseph Heater and each of them his or her true and lawful attorney-in-fact and agent with full power and authority to do any and all acts and things and to execute any and all instruments which said attorney and agent, determine may be necessary or advisable or required to enable said corporation to comply with the Securities Act of 1933, as amended, and any rules or regulations or requirements of the Securities and Exchange Commission in connection with this Registration Statement. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Registration Statement, and to any and all instruments or documents filed as part of or in conjunction with this Registration Statement or amendments or supplements thereof, including post-effective amendments, to this Registration Statement or any registration statement relating to this offering to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and each of the undersigned hereby ratifies and confirms that said attorney and agent, shall do or cause to be done by virtue thereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney. In accordance with the requirements of the Securities Act of 1933, as amended, this registration statement was signed by the following persons in the capacities and on the dates stated:

Signature	Title	Date
/s/ ANDREW HIDALGO Andrew Hidalgo	Chairman, Chief Executive Officer (Principal Executive Officer) and Director	February 7, 2006
/s/ JOSEPH HEATER Joseph Heater	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 7, 2006
/s/ NORM DUMBROFF Norm Dumbroff	Director	February 7, 2006
/s/ NEIL HEBENTON Neil Hebenton	Director	February 7, 2006
/s/ GARY WALKER Gary Walker	Director	February 7, 2006
/s/ WILLIAM WHITEHEAD William Whitehead	Director	February 7, 2006

Exhibit 10.6

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of August, 2005 (the "Effective Date").

AMONG:

> **QUALITY COMMUNICATIONS & ALARM COMPANY, INC.** a corporation formed pursuant to the laws of the State of New Jersey and having an office for business located at 1985 Swarthmore Avenue, Suite 4, Lakewood, New Jersey ("Employer"), and wholly owned subsidiary of **WPCS INTERNATIONAL INCORPORATED**, a corporation formed pursuant to the laws of the State of Delaware ("Parent");
>
> **AND**
>
> **RICHARD SCHUBIGER**, an individual having an address at 1985 Swarthmore Avenue, Suite 4, Lakewood, New Jersey ("Employee")

WHEREAS, Parent and Employer are parties to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement"), pursuant to which Employee has agreed to continue to serve as President of Employer, and Employer has agreed to hire Employee as such, pursuant to the terms and conditions of this Employment Agreement (the "Agreement").

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

ARTICLE 1
EMPLOYMENT

Employer hereby affirms, renews and extends the employment of Employee as President, and Employee hereby affirms, renews and accepts such employment by Employer for the "Term" (as defined in Article 3 below), upon the terms and conditions set forth herein.

ARTICLE 2
DUTIES

During the Term, Employee shall serve Employer and Parent faithfully, diligently and to the best of his ability, under the direction and supervision of the Board of Directors of Employer and the Chief Executive Officer of Parent and shall use his reasonable best efforts to promote the interests and goodwill of Employer, Parent and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or future purchasers of Employer and Parent. Employee shall render such services during the Term at Employer's principal place of business or at such other place of business as may be determined by the Board of Directors of Employer, as Employer may from time to time reasonably require of him, and shall devote all of his time during normal business hours to the performance thereof. Employee shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the Board of Directors.

ARTICLE 3
TERM

The “Term” of this Agreement shall commence on the Effective Date and continue thereafter for a term of three (3) years, as may be extended or earlier terminated pursuant to the terms and conditions of this Agreement. The Term of this Agreement shall automatically renew for successive one (1) year periods unless, prior to the 30th calendar day preceding the expiration of the then existing Term, either Employer or Employee provides written notice to the other that it elects not to renew the Term. Upon delivery of such notice, this Agreement shall continue until expiration of the Term, whereupon this Agreement shall terminate and neither party shall have any further obligation thereafter arising under this Agreement, except as explicitly set forth herein to the contrary.

ARTICLE 4
COMPENSATION

Salary

4.1 Employer shall pay to Employee an annual salary (the “Salary”) of One Hundred Forty Thousand Dollars ($140,000.00), payable in equal installments at the end of such regular payroll accounting periods as are established by Employer, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Employer’s usual payroll procedures, but no less frequently than monthly. The Board of Directors of Employer or President of Parent shall review the Salary annually to consider any increase thereof.

Benefits

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

Expense Reimbursement

4.3 Employer shall reimburse Employee for reasonable and necessary expenses incurred by him on behalf of Employer in the performance of his duties hereunder during the Term, in accordance with Employer's then customary policies, provided that such expenses are adequately documented.

Bonus

4.4 In addition to the Salary, Employee shall be entitled to receive an incentive bonus for calendar year 2005 equal to 30% (the "2005 Bonus") of $120,000, the Employee's salary prior to the effective date of this agreement, if Employer, for the calendar year 2005, achieves $13 million in revenue, provided, however, that the revenue yields a minimum of 12% in earnings before interest and taxes ("EBIT"). For purposes of determining EBIT, the Employer's revenue will include revenue from all business generated by Employer and all business allocated to Employer by Parent. For clarification purposes, the EBIT number will be calculated without any costs imposed by Parent for management fees, director fees, indirect or direct corporate overhead, non-business related expenses, non-recurring corporate expenses, corporate discretionary expenses and non-operating expenses, if any. The determination of revenue and EBIT for calendar 2005 shall be made by the independent auditor regularly engaged by the Employer to complete the Employer's year-end audit. Such auditor shall be engaged solely with the approval of the Parent. The 2005 Bonus shall be paid the Employee within 110 days of the Employer's calendar year end. The Employer shall prepare and send to Employee as soon as practicable after the end of the first three calendar quarters in any calendar year, statements showing the Employer's estimated revenue and EBIT as of the end of each such calendar quarter.

4.5 Effective January 1, 2006, Employee shall be entitled to receive an annual bonus equal to three percent (3.0%) (the "Bonus") of Employer's EBIT without any costs imposed by Parent for management fees, director fees, indirect or direct corporate overhead, non-business related expenses, non-recurring corporate expenses, corporate discretionary expenses and non-operating expenses, if any. The amount of the Bonus shall be determined based upon the EBIT reported in the financial statements of Employer, as calculated based on U.S. generally accepted accounting principles consistently applied. Employer shall instruct the independent auditor regularly engaged by the Employer to calculate the Bonus for each fiscal year, or portion thereof (an "Auditor's Bonus Report"), within 105 days after each fiscal year end. Employer shall provide a copy of each Auditor's Bonus Report to Employee promptly upon receipt thereof. Employee shall have the right to review and independently verify the conclusions of any Auditor's Bonus Report by delivering notice in writing to Employer within thirty (30) days after receipt of any such Auditor's Bonus Report indicating that Employee wishes to exercise his right of review and verification. Within ten (10) business days after receipt of any such notice, Employer shall make available to Employee and his representatives, at reasonable times during normal business hours, the books and records of Employer which are reasonably necessary to conduct such review and verification. Employee shall cause such review to be conducted and concluded as quickly as reasonably practicable and in such a manner so as not to unreasonably interfere with the business and operations of Employer. Any representatives conducting such review shall, prior to being given access to such books and records, be required to enter into confidentiality and non-disclosure agreements with Employer on terms and conditions satisfactory to Employer, acting reasonably. The costs of any such review shall be borne by Employee unless the review indicates a discrepancy between the Bonus figure contained in the Auditor's Bonus Report and the figure, if any, agreed to by Employer and Employee following such review of greater than five percent (5%). If Employee and Employer shall be unable to resolve any dispute respecting any determination contained in any Auditor's Bonus Report, then any disputed matters ("Disputed Items") shall, within 20 days after notice is delivered by Employee to Employer that there exist Disputed Items, be submitted to arbitration as set forth below. Within five (5) business days of Employee's delivery of written acceptance of the Auditor's Bonus Report (as may have been amended or adjusted pursuant to the foregoing procedures) to Employer, Employer shall pay Employee the Bonus in a lump sum, subject to Employer's statutory and customary withholdings.

Arbitration

4.6 An independent chartered accountant chosen by Employer (hereinafter referred to as “Employer’s Accountant”) and an independent chartered accountant chosen by Employee (hereinafter referred to as “Employee’s Accountant”) shall together within 20 days, appoint a representative from an accounting firm (other than Employer’s Accountant or Employee’s Accountant) to arbitrate the dispute (hereinafter referred to as the “Arbitrator”). The parties shall, within 20 days after the appointment of the Arbitrator, present their position with respect to the Disputed Items to the Arbitrator together with such other materials as the Arbitrator deems appropriate. The Arbitrator shall within 20 days after the submission of such evidence, submit its written decision on each Disputed Item to the parties. Any determination by the Arbitrator with respect to any Disputed Item shall be final and binding on such parties. The Arbitrator shall comply, and the arbitration shall be conducted in accordance with, the Commercial Arbitration Rules of American Arbitration Association then in force. If the Arbitrator determines that the Auditor’s Bonus Report was correct so that the Bonus presented therein was equal to or greater than the actual Bonus, or less than the actual Bonus by a less than five percent (5%) variance, the costs of any such arbitration shall be borne by Employee. If the Arbitrator determines that the Auditor’s Bonus Report was incorrect so that the Bonus presented therein was less than the actual Bonus by more than five percent (5%), the costs of any such arbitration shall be borne by Employer.

ARTICLE 5
OTHER EMPLOYMENT

During the Term of this Agreement, Employee shall devote substantially all of his time during normal business hours, and effort, attention, knowledge, and skill to the management, supervision and direction of Employer's business and affairs as Employee's highest professional priority. Except as provided below, Employer shall be entitled to all benefits, profits or other issues arising from or incidental to all work, services and advice performed or provided by Employee. Nothing in this Agreement shall preclude Employee from devoting reasonable periods required for:

(a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of Employer, provided that Employee must obtain the written consent of Employer;

(b) serving as a consultant in his area of expertise (in areas other than in connection with the business of Employer), to government, industrial, and academic panels where it does not conflict with the interests of Employer; and

(c) managing his personal investments or engaging in any other non-competing business;

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

ARTICLE 6
CONFIDENTIAL INFORMATION/INVENTIONS

Confidential Information

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

Documents

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

Inventions

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

Disclosure

6.4 During the Term, Employee will promptly disclose to the Board of Directors of Employer full information concerning any interest, direct or indirect, of Employee (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his family (as defined in Section 10.3) in any business that is reasonably known to Employee to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Employer or to any of its suppliers or customers, other than ownership interests of Employee or any member of his family of 1% or less of the outstanding stock of a corporation that is publicly traded.

ARTICLE 7
COVENANT NOT TO COMPETE

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

ARTICLE 8
SURVIVAL

Employee agrees that the provisions of Articles 6, 7 and 9 shall survive expiration or earlier termination of this Agreement for any reasons, whether voluntary or involuntary, with or without cause, and shall remain in full force and effect thereafter.

ARTICLE 9
INJUNCTIVE RELIEF

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

ARTICLE 10
TERMINATION

Termination by Employee

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

Good Reason

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

(i) any reduction in his then-current Salary;

(ii) any material failure to timely grant, or timely honor, any equity or long-term incentive award;

(iii) failure to pay or provide required compensation and benefits;

(iv) any failure to appoint, elect or reelect him to the position of President of Employer; the removal of him from such position; or any changes in the reporting structure so that Employee reports to someone other than the Board of Directors of Employer in connection with such position;

(v) any material diminution in his title or duties or the assignment to him of duties not customarily associated with Employee's position as President of Employer;

(vi) any relocation of Employee's office as assigned to him by Employer, to a location more than 25 miles from Employer's current office; or

(vii) any unreasonable travel required of Employee by Employer, which is materially inconsistent with Employer's past practices.

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

Termination by Employer

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

Severance

10.4 Upon a termination of this Agreement without Good Reason by Employee or with cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation as of the date of such termination, subject to the provision of Section 6.2. Upon a termination of this Agreement with Good Reason by Employee or without cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation and expense reimbursement as of the date of such termination and the "Severance Payment." The Severance Payment shall be payable in a lump sum, subject to Employer's statutory and customary withholdings. If the termination of Employee hereunder is by Employee with Good Reason, the Severance Payment shall be paid by Employer within fifteen (15) business days of the expiration of any applicable cure period. If the termination of Employee hereunder is by Employer without cause, the Severance Payment shall be paid by Employer within five (5) business days of termination, provided that the bonus portion of the Severance Payment, if any, shall be payable within 110 days of the calendar year end in which Employee was terminated. The "Severance Payment" shall equal the total amount of the Salary payable to Employee under Section 4.1 of this Agreement from the date of such termination until the end of the Term of this Agreement (prorated for any partial month), together with a prorated amount of any bonus payable under Section 4.4. The prorated amount of any bonus shall be calculated based on revenues and EBIT for the entire calendar year during which Employee was terminated and prorated for the portion of such year that Employee was employed by Employer.

Termination Upon Death

10.5 If Employee dies during the Term of this Agreement, this Agreement shall terminate, except that Employee's legal representatives shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of death, together with a prorated amount of any bonus payable under Section 4.4.

Termination Upon Disability

10.6 If, during the Term of this Agreement, Employee suffers and continues to suffer from a "Disability" (as defined below), then Employer may terminate this Agreement by delivering to Employee thirty (30) calendar days' prior written notice of termination based on such Disability, setting forth with specificity the nature of such Disability and the determination of Disability by Employer. For the purposes of this Agreement, "Disability" means Employee's inability, with reasonable accommodation, to substantially perform Employee's duties, services and obligations under this Agreement due to physical or mental illness or other disability for a continuous, uninterrupted period of sixty (60) calendar days or ninety (90) days during any twelve month period. Upon any such termination for Disability, Employee shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of termination, together with a prorated amount of any bonus payable under Section 4.4.

ARTICLE 11
PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

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

ARTICLE 12
BENEFICIARIES OF AGREEMENT

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

ARTICLE 13
GENERAL PROVISIONS

No Waiver

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

Modification

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

Choice of Law/Jurisdiction

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

Entire Agreement

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

Severability

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

Headings

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

Independent Legal Advice

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

No Assignment

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

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

QUALITY COMMUNICATIONS & ALARM COMPANY, INC.

By: /s/ ANDREW HIDALGO

ANDREW HIDALGO
Title: Director

/s/ RICHARD SCHUBIGER

RICHARD SCHUBIGER

Exhibit 10.10

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER is made as of the 30th day of December, 2002

AMONG:

WPCS INTERNATIONAL INCORPORATED, a corporation formed pursuant to the laws of the State of Delaware and having an office for business located at 140 South Village Avenue, Suite 20, Exton, Pennsylvania 19341

("WPCS")

AND:

WALKER COMM MERGER CORP., a body corporate formed pursuant to the laws of the State of Delaware and a wholly owned subsidiary of WPCS

(the "Acquirer")

AND:

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

("Walker")

AND:

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

("D. Walker")

AND:

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

("G. Walker")

AND:

TANYA D. SANCHEZ, an individual having an address at 521 Railroad Avenue, Fairfield, California 94533

("T. Sanchez", and together with D. Walker and G. Walker, the "Walker Shareholders")

WHEREAS:

A. Walker is a California corporation engaged in the business of providing structured cabling systems;

B. The Walker Shareholders own 100 Walker Shares (of which D. Walker owns 51 shares, G. Walker owns 39 shares and T. Sanchez owns 10 shares), being 100% of the presently issued and outstanding Walker Shares;

C. WPCS is a reporting company whose common stock is quoted on the NASD "Bulletin Board" and which is engaged in the business of providing fixed wireless telecommunications services;

D. The respective Boards of Directors of WPCS, Walker and the Acquirer deem it advisable and in the best interests of WPCS, Walker and the Acquirer that the Acquirer merge with and into Walker (the "Merger") pursuant to this Agreement and the Certificate of Merger, and the applicable provisions of the laws of the State of Delaware and the State of California; and

E. It is intended that the Merger shall qualify for United States federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

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

ARTICLE 1
DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Agreement the following terms will have the following meanings:

(a) "**Acquisition Shares**" means the 2,486,000 WPCS Common Shares to be issued to the Walker Shareholders or at their direction at Closing pursuant to the Merger and the terms of this Agreement;

(b) "**Agreement**" means this Agreement and Plan of Merger among WPCS, the Acquirer, Walker, and the Walker Shareholders;

(c) "**CGCL**" means the California General Corporation Law;

(d) "**Closing**" means the completion, on the Closing Date, of the transactions contemplated hereby in accordance with Article 9 hereof;

(e) "**Closing Date**" means the day on which all conditions precedent to the completion of the transaction as contemplated hereby have been satisfied or waived;

(f) "**Commission**" means the Securities and Exchange Commission;

(g) “**DGCL**” means the General Corporation Law of the State of Delaware;

(h) “**Effective Time**” means the date of the filing of an appropriate Certificate of Merger in the form required by the State of Delaware and the State of California, which provide that the Merger shall become effective upon such filings;

(i) “**Employment Agreements**” means the employment agreements to be entered into on the Closing Date between Walker and D. Walker and Walker and G. Walker in the forms attached hereto as Exhibit “A”;

(j) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended;

(k) “**Merger**” means the merger, at the Effective Time, of Walker and the Acquirer pursuant to this Agreement and Plan of Merger;

(l) “**Place of Closing**” means the offices of Sichenzia Ross Friedman Ference LLP, 1065 Avenue of the Americas, New York, New York 10018, or such other place as WPCS and Walker may mutually agree upon;

(m) “**Registration Rights Agreement**” means the Registration Rights Agreement to be entered into on the Closing Date between WPCS and the Walker Shareholders in respect of the Acquisition Shares in the form attached hereto as Exhibit “B”;

(n) “**SEC Reports**” means all forms, reports and documents filed and required to be filed by WPCS with the Commission under the Exchange Act;

(o) “**Securities Act**” means the Securities Act of 1933, as amended;

(p) “**Surviving Company**” means Walker following the Merger with the Acquirer;

(q) “**Walker Accounts Payable and Liabilities**” means all accounts payable and liabilities of Walker, due and owing or otherwise constituting a binding obligation of Walker (other than a Walker Material Contract) as of October 31, 2002 as set forth in Schedule “A” hereto;

(r) “**Walker Accounts Receivable**” means all accounts receivable and other debts owing to Walker, as of October 31, 2002 as set forth in Schedule “B” hereto;

(s) “**Walker Assets**” means all the property and assets of the Walker Business of every kind and description wheresoever situated including, without limitation, Walker Equipment, Walker Material Contracts, Walker Accounts Receivable, Walker Cash, Walker Intangible Assets, Walker Goodwill, Walker Unlisted Inventory, and all credit cards, charge cards and banking cards issued to Walker;

(t) “**Walker Bank Accounts**” means all of the bank accounts, lock boxes and safety deposit boxes of Walker or relating to the Walker Business as set forth in Schedule “C” hereto;

(u) “**Walker Business**” means all aspects of the business conducted by Walker;

(v) “**Walker Cash**” means all cash on hand or on deposit to the credit of Walker on the Closing Date;

(w) “**Walker Debt to Related Parties**” means the debts owed by Walker and its subsidiaries to any of the Walker Shareholders or to any family member thereof, or to any affiliate, director or officer of Walker or the Walker Shareholders as described in Schedule “D”;

(x) “**Walker Equipment**” means all machinery, equipment, furniture, and furnishings used in the Walker Business, including, without limitation, the items more particularly described in Schedule “E” hereto;

(y) “**Walker Financial Statements**” means collectively, the financial statements of Walker for the years ended December 31, 2000 and 2001, and the ten months ended October 31, 2002, all of which were prepared on an *accrual* basis in accordance with United States generally accepted accounting principles (other than the treatment of the Walker Unlisted Inventory), true copies of which are attached as Schedule “F” hereto;

(z) “**Walker Goodwill**” means the goodwill of the Walker Business together with the exclusive right of WPCS to represent itself as carrying on the Walker Business in succession of Walker subject to the terms hereof, and the right to use any words indicating that the Walker Business is so carried on including the right to use the name "Walker" or “Walker International" or any variation thereof as part of the name of or in connection with the Walker Business or any part thereof carried on or to be carried on by Walker, the right to all corporate, operating and trade names associated with the Walker Business, or any variations of such names as part of or in connection with the Walker Business, all telephone listings and telephone advertising contracts, all lists of customers, books and records and other information relating to the Walker Business, all necessary licenses and authorizations and any other rights used in connection with the Walker Business;

(aa) “**Walker Insurance Policies**” means the public liability insurance and insurance against loss or damage to Walker Assets and the Walker Business as described in Schedule “G” hereto;

(bb) "**Walker Intangible Assets**" means all of the intangible assets of Walker, including, without limitation, Walker Goodwill, all trademarks, logos, copyrights, designs, and other intellectual and industrial property of Walker and its subsidiaries;

(cc) "**Walker Material Contracts**" means the burden and benefit of and the right, title and interest of Walker in, to and under all trade and non-trade contracts, engagements or commitments, whether written or oral, to which Walker is entitled in connection with the Walker Business whereunder Walker is obligated to pay or entitled to receive the sum of $10,000 or more including, without limitation, any pension plans, profit sharing plans, bonus plans, loan agreements, security agreements, indemnities and guarantees, any agreements with employees, lessees, licensees, managers, accountants, suppliers, agents, distributors, officers, directors, attorneys or others which cannot be terminated without liability on not more than one month's notice, and those contracts listed in Schedule "I" hereto; and

(dd) "**Walker Shares**" means all of the issued and outstanding shares of Walker's equity stock;

(ee) "**Walker Unlisted Inventory**" means the inventory listed on Schedule I hereto, which does not appear on the Walker Financial Statements.

(ff) "**WPCS Business**" means all aspects of any business conducted by WPCS and its subsidiaries;

(gg) "**WPCS Common Shares**" means the Common Stock, $0.0001 par value per share, of WPCS; and

(hh) "**WPCS Financial Statements**" means, collectively, the audited consolidated financial statements of WPCS for the fiscal years ended April 30, 2001 and 2002, together with the unqualified auditors' report thereon, and the unaudited financial statements six month periods ended October 31, 2001 and 2002, true copies of which are attached as Schedule "K" hereto.

Any other terms defined within the text of this Agreement will have the meanings so ascribed to them.

Captions and Section Numbers

1.2 The headings and section references in this Agreement are for convenience of reference only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision thereof.

Section References and Schedules

1.3 Any reference to a particular "Article", "section", "paragraph", "clause" or other subdivision is to the particular Article, section, clause or other subdivision of this Agreement and any reference to a Schedule or Exhibit by letter will mean the appropriate Schedule or Exhibit attached to this Agreement and by such reference the appropriate Schedule or Exhibit is incorporated into and made part of this Agreement. The Schedules and Exhibits to this Agreement are as follows:

Information concerning Walker

Walker Disclosure Letter, including the following Schedules appurtenant thereto:

Schedule	"A"	Walker Accounts Payable and Liabilities
Schedule	"B"	Walker Accounts Receivable
Schedule	"C"	Walker Bank Accounts
Schedule	"D"	Walker Debts to Related Parties (including accounts payable aging ledger)
Schedule	"E"	Walker Equipment
Schedule	"F"	Walker Financial Statements
Schedule	"G"	Walker Insurance Policies
Schedule	"H"	Walker Material Contracts
Schedule	"I"	Walker Unlisted Inventory
Schedule	"J"	Walker Unlisted Tools

Information concerning WPCS

Walker Disclosure Letter, including the following Schedules appurtenant thereto:

Schedule	"K"	Financial Statements

Ancillary Agreements

Exhibit	"A"	Form of Employment Agreements
Exhibit	"B"	Form of Registration Rights Agreement
Exhibit	"C"	Form of Security Agreement and UCC-1
Exhibit	"D"	Form of Indemnification Agreement
Exhibit	"E"	Form of Assumption Agreement

Severability of Clauses

1.4 If any part of this Agreement is declared or held to be invalid for any reason, such invalidity will not affect the validity of the remainder which will continue in full force and effect and be construed as if this Agreement had been executed without the invalid portion, and it is hereby declared the intention of the parties that this Agreement would have been executed without reference to any portion which may, for any reason, be hereafter declared or held to be invalid.

ARTICLE 2
THE MERGER

The Merger

2.1 At Closing, the Acquirer shall be merged with and into Walker pursuant to this Agreement and Plan of Merger and the separate corporate existence of the Acquirer shall cease and Walker, as it exists from and after the Closing, shall be the Surviving Company.

Effect of the Merger

2.2 The Merger shall have the effect provided therefor by the DGCL and CGCL. Without limiting the generality of the foregoing, and subject thereto, at Closing (i) all the rights, privileges, immunities, powers and franchises, of a public as well as of a private nature, and all property, real, personal and mixed, and all debts due on whatever account, including without limitation subscriptions to shares, and all other choses in action, and all and every other interest of or belonging to or due to Walker or the Acquirer, as a group, subject to the terms hereof, shall be taken and deemed to be transferred to, and vested in, the Surviving Company without further act or deed; and all property, rights and privileges, immunities, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Company, as they were of Walker and the Acquirer, as a group, and (ii) all debts, liabilities, duties and obligations of Walker and the Acquirer, as a group, subject to the terms hereof, shall become the debts, liabilities and duties of the Surviving Company and the Surviving Company shall thenceforth be responsible and liable for all debts, liabilities, duties and obligations of Walker and the Acquirer, as a group, and neither the rights of creditors nor any liens upon the property of Walker or the Acquirer, as a group, shall be impaired by the Merger, and may be enforced against the Surviving Company.

Certificate of Incorporation; Bylaws; Directors and Officers

2.3 The Certificate of Incorporation of the Surviving Company from and after the Closing shall be the Certificate of Incorporation of Walker until thereafter amended in accordance with the provisions therein and as provided by the applicable provisions of the CGCL. The Bylaws of the Surviving Company from and after the Closing shall be the Bylaws of Walker as in effect immediately prior to the Closing, continuing until thereafter amended in accordance with their terms, the Certificate of Incorporation of the Surviving Company and as provided by the CGCL. The Directors of the the Surviving Company at the Effective Time shall be D. Walker, G. Walker, Andrew Hidalgo, E.J. von Schaumburg and Andrew Shoffner.

Conversion of Securities

2.4 At the Effective Time, by virtue of the Merger and without any action on the part of the Acquirer, Walker or the Walker Shareholders, the shares of capital stock of each of Walker and the Acquirer shall be converted as follows:

(a) Capital Stock of the Acquirer. Each issued and outstanding share of the Acquirer's capital stock shall continue to be issued and outstanding and shall be converted into one share of validly issued, fully paid, and non-assessable common stock of the Surviving Company. Each stock certificate of the Acquirer evidencing ownership of any such shares shall continue to evidence ownership of such shares of capital stock of the Surviving Company.

(b) Conversion of Walker Shares. Each Walker Share that is issued and outstanding at the Effective Time shall automatically be cancelled and extinguished and converted, without any action on the part of the holder thereof, into the right to receive at the time and in the amounts described in this Agreement an amount of Acquisition Shares equal to the number of Acquisition Shares divided by the number of the Walker Shares outstanding immediately prior to Closing. All such Walker Shares, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the Acquisition Shares paid in consideration therefor upon the surrender of such certificate in accordance with this Agreement. Notwithstanding the foregoing, the Walker Shareholders direct WPCS to deliver 74,580 Acquisition Shares to Crader & Associates, Inc., and 24,860 Acquisition Shares to Ray Helterline (collectively, the "***Crader Shares***"). Such Crader Shares shall be deducted pro rata from the Acquisition Shares otherwise deliverable to the Walker Shareholders.

Additional Consideration

2.5 In addition to the Acquisition Shares, WPCS shall pay the Walker Shareholders additional consideration in the amount of $1,000,000 ("***Cash Consideration***"). The Cash Consideration shall be paid as follows:

(a) On the Closing Date, WPCS shall pay the Walker Shareholders an aggregate of $500,000 by certified check, bank check or wire transfer. Such amount shall be paid to the Walker Shareholders in proportion to their ownership of Walker immediately prior to the Merger.

(b) The $500,000 of remaining Cash Consideration shall be paid through quarterly distributions equal to 75% of the net income of Walker (i) after the elimination of all expenses related to (y) services provided to Walker by WPCS or any affiliate thereof and (z) transactions between Walker and WPCS or any affiliate thereof, and (ii) prior to the deduction of interest, taxes, depreciation and amortization ("***Walker Earn-Out Payment***"), provided, however, that if either D. Walker or G. Walker are (A) terminated without cause, or (B) terminate their respective Employment Agreements for Good Reason (as defined therein), prior to the completion of the terms of their respective Employment Agreements, WPCS shall immediately pay the unpaid balance of the Cash Consideration. Commencing with each fiscal quarter of WPCS occurring after the Closing Date, WPCS shall pay, or cause Walker to pay, the Walker Shareholders an amount equal to the Walker Earn-Out Payment within five business days after the earlier of (i) the filing with the SEC of a WPCS quarterly report on Form 10-QSB (or Form 10-Q), or the annual report on Form 10-KSB (or Form 10-K), whichever SEC form is required to be filed after the applicable fiscal period, or (ii) the final date on which such reports are required to be filed, taking into consideration any permitted automatic extension of time to file such reports. Such amounts shall be paid to the Walker Shareholders in proportion to their ownership of Walker immediately prior to the Merger. Such payments will be made until an aggregate of $500,000 shall have been paid to the Walker Shareholders pursuant to this Section 2.5(b). In order to secure the timely payment of all monies due to be paid for Cash Consideration pursuant to this Agreement, WPCS, Walker and the Walker Shareholders shall enter into a Security Agreement in substantially the form of Exhibit C attached hereto and shall execute and file an appropriate form UCC-1.

Adherence with Applicable Securities Laws

2.6 The Walker Shareholders agree that they are acquiring the Acquisition Shares for investment purposes and will not offer, sell or otherwise transfer, pledge or hypothecate any of the Acquisition Shares issued to them (other than pursuant to an effective registration statement under the *Securities Act*) directly or indirectly unless:

(a) the sale is to WPCS;

(b) the sale is made pursuant to the exemption from registration under the *Securities Act,* provided by Rule 144 thereunder; or

(c) the Acquisition Shares are sold in a transaction that does not require registration under the *Securities Act,* or any applicable United States state laws and regulations governing the offer and sale of securities, and the seller has furnished to WPCS an opinion of counsel to that effect or such other written opinion as may be reasonably required by WPCS.

The Walker Shareholders acknowledge that the certificates representing the Acquisition Shares shall bear the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT. THEY MAY NOT BE MORTGAGED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE SECURITIES ACT OF 1933 AND OTHER APPLICABLE SECURITIES LAWS OR AN OPINION OF COUNSEL FOR THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND OTHER APPLICABLE SECURITIES LAWS. THE HOLDER MAY BE REQUIRED TO PROVIDE AN OPINION AT THE HOLDER'S COST TO THE COMPANY THAT SUCH TRANSFER IS PERMITTED WITHOUT REGISTRATION UNDER APPLICABLE STATE SECURITIES LAWS, WHICH OPINION MUST BE ACCEPTABLE TO THE COMPANY'S COUNSEL.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES
OF WPCS

Representations and Warranties

3.1 WPCS represents and warrants to Walker and the Walker Shareholders, with the intent that Walker and the Walker Shareholders will rely thereon in entering into this Agreement and in approving and completing the transactions contemplated hereby, that, except as disclosed in the WPCS Disclosure Letter:

WPCS - Corporate Status and Capacity

(a) Incorporation. WPCS and each of its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, has the corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted or as proposed to be conducted, and is qualified as a foreign corporation in each jurisdiction in which a failure to be so qualified could reasonably be expected to have a material adverse effect on its present or expected operations or financial condition.

(b) Power and Capacity. Each of WPCS and Acquirer has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, and all agreements to which WPCS and/or Acquirer is or will be a party that are required to be executed pursuant to this Agreement (the "***WPCS Ancillary Agreements***"). The execution, delivery and performance of this Agreement and the WPCS Ancillary Agreements have been duly and validly approved and authorized by the respective Boards of Directors of WPCS and Acquirer, and the stockholder of Acquirer, as required by applicable law and their respective certificates of incorporation and bylaws.

(c) No Filings. No filing, authorization or approval, governmental or otherwise, is necessary to enable WPCS and Acquirer to enter into, and to perform their respective obligations under, this Agreement and the WPCS Ancillary Agreements, except for (a) the filing of the Agreement of Merger with the Delaware and California Secretaries of State, the recording of the Agreement of Merger in the office of the Recorder of the Delaware county in which WPCS's registered office is located, and the filing of appropriate documents with the relevant authorities of other states in which WPCS is qualified to do business, if any, and (b) such filings as may be required to comply with federal and state securities laws.

(d) Binding Obligation. This Agreement and the WPCS Ancillary Agreements are, or when executed by WPCS and/or Acquirer (as applicable) will be, valid and binding obligations of WPCS and Acquirer enforceable in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies

(e) Reporting Status; Listing. WPCS's common stock is registered under Section 12(b) or 12(g) of the Exchange Act and WPCS is required to file current reports with the Commission pursuant to section 13(a) of the Exchange Act. The WPCS Common Shares are quoted on the NASD "Bulletin Board" under the symbol "WPCS";

(f) SEC Reports. WPCS has timely filed all SEC Reports with the Commission under the Exchange Act. The SEC Reports, at the time filed, complied as to form in all material respects with the requirements of the Exchange Act. None of the SEC Reports, including without limitation any financial statements or schedules included therein, contains any untrue statements of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

Acquirer - Corporate Status and Capacity

(g) Carrying on Business. Other than corporate formation and organization, the Acquirer has not carried on any business activities to date.

WPCS - Capitalization

(h) Authorized Capital. The authorized capital of WPCS consists of 30,000,000 WPCS Common Shares, $0.0001 par value and 5,000,000 shares of preferred stock. $0.0001 par value, of which 10,592,844 WPCS Common Shares, no shares of Series B Convertible Preferred Stock and 1,000 shares of Series C Convertible Preferred Stock are presently issued and outstanding;

(i) No Option. No person, firm or corporation has any agreement, warrant or option or any right capable of becoming an agreement, warrant or option for the acquisition of any capital stock or equity interest in WPCS, except for an option to purchase 11,111 WPCS Common Shares at $2.75 per share expiring April 30, 2003, no shares of Series B Convertible Preferred Stock and 1,000 shares of Series C Convertible Preferred Stock;

(j) Agreements Concerning WPCS Capital Stock. There are no restrictions on the transfer, sale or other disposition of any capital stock of WPCS contained in the charter documents of WPCS or under any other agreements. There are no stockholder agreements, investor rights agreements, co-sale agreements, right of first refusal agreements, voting agreements, registration rights agreements or any other similar type of agreement to which WPCS, any subsidiary of WPCS or any officer or director of WPCS (or any subsidiary of WPCS) is a party.

Acquirer - Capitalization

(k) Authorized Capital. The authorized capital of the Acquirer consists of 100 shares of common stock, $0.0001 par value, of which one share of common stock is presently issued and outstanding;

(l) No Option. No person, firm or corporation has any agreement, warrant or option or any right capable of becoming an agreement, warrant or option for the acquisition of any capital stock or equity interest in Acquirer;

WPCS - Records and Financial Statements

(m) Charter Documents. The charter documents of WPCS and the Acquirer have not been altered since the incorporation of each, respectively, except as filed in the record books of WPCS or the Acquirer, as the case may be, copies of which have been provided to Walker;

(n) Corporate Minute Books. The corporate minute books of WPCS and its subsidiaries are complete and each of the minutes contained therein accurately reflect the actions that were taken at a duly called and held meeting or by consent without a meeting. All actions by WPCS and its subsidiaries which required director or shareholder approval are reflected on the corporate minute books of WPCS and its subsidiaries. WPCS and its subsidiaries are not in violation or breach of, or in default with respect to, any term of their respective Certificates of Incorporation (or other charter documents) or by-laws, except where such breach or default would not have a material adverse effect upon WPCS or such subsidiary, respectively;

(o) WPCS Financial Statements. The WPCS Financial Statements present fairly, in all material respects, the assets and liabilities (whether accrued, absolute, contingent or otherwise) of WPCS, on a consolidated basis, as of the respective dates thereof, and the results of operations and statement of cash flows of WPCS during the periods covered thereby, in all material respects and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods indicated;

(p) WPCS Accounts Payable and Liabilities. There are no material liabilities, contingent or otherwise, of WPCS or its subsidiaries which are not reflected in the WPCS Financial Statements except those incurred in the ordinary course of business since the date of the said schedule and the WPCS Financial Statements, and neither WPCS nor its subsidiaries have guaranteed or agreed to guarantee any debt, liability or other obligation of any person, firm or corporation;

(q) WPCS Accounts Receivable. All the accounts receivable of WPCS result from bona fide business transactions and services actually rendered without, to the knowledge and belief of WPCS, any claim by the obligor for set-off or counterclaim, and are reflected in the WPCS Financial Statements;

(r) Certain Transactions and Agreements. None of the officers of WPCS or any subsidiary, nor any member of their immediate families, has any direct or indirect ownership interest in any firm or corporation that competes with WPCS (except with respect to any interest in less than one percent of the stock of any corporation whose stock is publicly traded). None of said officers or directors, or any member of their immediate families, is directly or indirectly interested in any contract or informal arrangement with WPCS or any subsidiary, except for normal compensation for services as an officer, director or employee thereof. None of said officers or directors or family members has any interest in any property, real or personal, tangible or intangible, including inventions, patents, copyrights, trademarks or trade names or trade secrets, used in or pertaining to the business of WPCS or any subsidiary, except for the normal rights of a stockholder;

(s) Interested Party Transactions. No officer or director of WPCS or any "affiliate" or "associate" (as those terms are defined in Rule 405 promulgated under the Securities Act) of any such person has had, either directory or indirectly, a material interest in: (i) any person or entity which purchases from or sells, licenses or furnishes to WPCS or any subsidiary any goods, property, technology or intellectual or other property rights or services; or (ii) any contract or agreement to which WPCS or any subsidiary is a party or by which it may be bound or affected;

(t) No Dividends. No dividends or other distributions on any shares in the capital of WPCS have been made, declared or authorized since the date of WPCS Financial Statements;

(u) No Payments. No payments of any kind have been made or authorized since the date of the WPCS Financial Statements to or on behalf of officers, directors, shareholders or employees of WPCS or its subsidiaries or under any management agreements with WPCS or its subsidiaries, except payments made in the ordinary course of business and at the regular rates of salary or other remuneration payable to them;

(v) No Pension Plans. There are no pension, profit sharing, group insurance or similar plans or other deferred compensation plans affecting WPCS or its subsidiaries;

(w) No Adverse Events. Since October 31, 2002,

(i) there has not been any material adverse change in the properties, results of operations, financial position or condition (financial or otherwise) of WPCS, its subsidiaries, its assets or liabilities or any damage, loss or other change in circumstances materially affecting WPCS, the WPCS Business or WPCS' right to carry on the WPCS Business, other than changes in the ordinary course of business,

(ii) there has not been any damage, destruction, loss or other event (whether or not covered by insurance) materially and adversely affecting WPCS, its subsidiaries, or the WPCS Business,

(iii) there has not been any material increase in the compensation payable or to become payable by WPCS to any of WPCS' officers, employees or agents or any bonus, payment or arrangement made to or with any of them,

(iv) the WPCS Business has been and continues to be carried on in the ordinary course,

(v) WPCS has not waived or surrendered any right of material value,

(vi) Neither WPCS nor its subsidiaries have discharged or satisfied or paid any lien or encumbrance or obligation or liability other than current liabilities in the ordinary course of business, and

(vii) no capital expenditures in excess of $10,000 individually or $30,000 in total have been authorized or made.

WPCS - Income Tax Matters

(x) Tax Returns. All tax returns and reports of WPCS and its subsidiaries required by law to be filed have been filed and are true, complete and correct, and any taxes payable in accordance with any return filed by WPCS and its subsidiaries or in accordance with any notice of assessment or reassessment issued by any taxing authority have been so paid;

(y) Current Taxes. Adequate provisions have been made for taxes payable for the current period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return by, or payment of, any tax, governmental charge or deficiency by WPCS or its subsidiaries. WPCS is not aware of any contingent tax liabilities or any grounds which would prompt a reassessment including aggressive treatment of income and expenses in filing earlier tax returns;

WPCS - Applicable Laws and Legal Matters

(z) Licenses. WPCS and its subsidiaries hold all licenses and permits as may be requisite for carrying on the WPCS Business in the manner in which it has heretofore been carried on, which licenses and permits have been maintained and continue to be in good standing except where the failure to obtain or maintain such licenses or permits would not have a material adverse effect on the WPCS Business;

(aa) Applicable Laws. Neither WPCS nor its subsidiaries have been charged with or received notice of breach of any laws, ordinances, statutes, regulations, by-laws, orders or decrees to which they are subject or which apply to them the violation of which would have a material adverse effect on the WPCS Business, and to WPCS' knowledge, neither WPCS nor its subsidiaries are in breach of any laws, ordinances, statutes, regulations, bylaws, orders or decrees the contravention of which would result in a material adverse impact on the WPCS Business;

(bb) Pending or Threatened Litigation. There is no material litigation or administrative or governmental proceeding pending or threatened against or relating to WPCS, its subsidiaries, or the WPCS Business nor does WPCS have any knowledge of any deliberate act or omission of WPCS or its subsidiaries that would form any material basis for any such action or proceeding;

(cc) No Bankruptcy. Neither WPCS nor its subsidiaries have made any voluntary assignment or proposal under applicable laws relating to insolvency and bankruptcy and no bankruptcy petition has been filed or presented against WPCS or its subsidiaries and no order has been made or a resolution passed for the winding-up, dissolution or liquidation of WPCS or its subsidiaries;

(dd) Labor Matters. Neither WPCS nor its subsidiaries are party to any collective agreement relating to the WPCS Business with any labor union or other association of employees and no part of the WPCS Business has been certified as a unit appropriate for collective bargaining or, to the knowledge of WPCS, has made any attempt in that regard;

(ee) Finder's Fees. Neither WPCS nor its subsidiaries are party to any agreement which provides for the payment of finder's fees, brokerage fees, commissions or other fees or amounts which are or may become payable to any third party in connection with the execution and delivery of this Agreement and the transactions contemplated herein;

Execution and Performance of Agreement

(ff) No Violation or Breach. The execution and performance of this Agreement will not:

(i) violate the charter documents of WPCS or the Acquirer or result in any breach of, or default under, any loan agreement, mortgage, deed of trust, or any other agreement to which WPCS or its subsidiaries are party,

(ii) give any person any right to terminate or cancel any agreement or any right or rights enjoyed by WPCS or its subsidiaries,

(iii) result in any alteration of WPCS' or its subsidiaries' obligations under any agreement to which WPCS or its subsidiaries are party,

(iv) result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favor of a third party upon or against the assets of WPCS,

(v) result in the imposition of any tax liability to WPCS or its subsidiaries relating to the assets of WPCS, or

(vi) violate any court order or decree to which either WPCS or its subsidiaries are subject;

The WPCS Business

(gg) Maintenance of Business. Since the date of the WPCS Financial Statements, WPCS and its subsidiaries have not entered into any material agreement or commitment except in the ordinary course and except as disclosed herein or in the WPCS SEC Reports;

(hh) Subsidiaries. Except for the Acquirer, WPCS does not own any subsidiaries and does not otherwise own, directly or indirectly, any shares or interest in any other corporation, partnership, joint venture or firm other than WPCS Incorporated, a Delaware corporation and Invisinet, Inc., a Delaware corporation;

WPCS - Acquisition Shares

(ii) Acquisition Shares. The Acquisition Shares when delivered to the holders of Walker Shares or as directed thereby pursuant to the Merger shall be validly issued and outstanding as fully paid and non-assessable shares and the Acquisition Shares shall be transferable upon the books of WPCS, in all cases subject to the provisions and restrictions of all applicable securities laws; and

(jj) Securities Law Compliance. Except as set forth in the SEC Reports, WPCS has not issued any shares of its common stock (or securities convertible into or exercisable for shares of common stock) since June 1, 2002. Neither WPCS nor any person acting on its behalf has taken or will take any action (including, without limitation, any offering of any securities of WPCS under circumstances which would require the integration of such offering with the offering of the Acquisition Shares issued to the Walker Shareholders) which subject the issuance or sale of such shares to the Walker Shareholders to the registration requirements of Section 5 of the Securities Act.

Non-Merger and Survival

3.2 The representations and warranties of WPCS contained herein will be true at and as of Closing in all material respects as though such representations and warranties were made as of such time. Notwithstanding the completion of the transactions contemplated hereby, the waiver of any condition contained herein (unless such waiver expressly releases a party from any such representation or warranty) or any investigation made by the Walker Shareholders, the representations and warranties of WPCS shall survive the Closing for a period of two (2) years.

Indemnity

3.3 WPCS agrees to indemnify and save harmless Walker and the Walker Shareholders from and against any and all claims, demands, actions, suits, proceedings, assessments, judgments, damages, costs, losses and expenses, including any payment made in good faith in settlement of any claim (subject to the right of WPCS to defend any such claim), resulting from the breach by it of any representation, warranty or covenant made under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished by WPCS to Walker or the Walker Shareholders hereunder provided that (i) each individual claim or series of related claims exceeds $10,000 and (ii) the amount of all such claims shall not exceed the greater of (A) $250,000 or (B) the gross amount realized by the Walker Shareholders from the sale of the Acquisition Shares during the two (2) year period following the Closing Date. In addition, WPCS agrees to indemnify the Walker Shareholders from and against any and all claims, demands, actions, suits, proceedings, assessments, judgments, damages, costs, losses and expenses arising from the business operations of the Surviving Company after the Closing of the Merger or on account of personal guarantees or personal indemnity agreements entered into by the Walker Shareholders in connection with the obligations of Walker.

ARTICLE 4
COVENANTS OF WPCS

Covenants

4.1 WPCS covenants and agrees with Walker and the Walker Shareholders that it will:

(a) Conduct of Business. Until the Closing, conduct its business diligently and in the ordinary course consistent with the manner in which it generally has been operated up to the date of execution of this Agreement;

(b) Access. Until the Closing, give the Walker Shareholders and their representatives full access to all of the properties, books, contracts, commitments and records of WPCS, and furnish to the Walker Shareholders and their representatives all such information as they may reasonably request;

(c) Procure Consents. Take all reasonable steps required to obtain, prior to Closing, any and all third party consents required to permit the Merger;

(d) Public Information. Until such time that the Walker Shareholders have sold all of the Acquisition Shares, make and keep public information available, as those terms are understood and defined in Rule 144; and

(e) SEC Filings. Until such time that the Walker Shareholders have sold all of the Acquisition Shares, file with the Commission in a timely manner, all reports and other documents required of WPCS under the Securities Act and the Exchange Act.

(f) Appointment of Officer and Director. On the Closing Date, WPCS and Walker will enter into the Employment Agreements with D. Walker and G. Walker. In addition, on the Closing Date WPCS will appoint D. Walker as Executive Vice President, Project Services Division and will appoint G. Walker as a member of the WPCS Board of Directors.

(g) Payment of Audit Fees. Within ten days after the Closing Date, WPCS will engage the services of an independent certified public accountant to audit the financial statements of Walker for the two fiscal years ended December 31, 2001, and to review the financial statements of Walker for the ten months ended October 31, 2002. WPCS shall be solely responsible for the payment of all fees related to the foregoing.

(h) Delivery of Registration Rights Agreement. On the Closing Date, WPCS will deliver the executed Registration Rights Agreement to the Walker Shareholders.

(i) Employment Agreement. On the Closing Date, WPCS shall execute and shall cause the Surviving Company to execute and deliver the Employment Agreements to D. Walker and G. Walker.

(j) Intercompany Transactions. Until such time that the Walker Shareholders have received all of the Cash Consideration, WPCS shall not, without the prior written consent of D. Walker and G. Walker, cause the Surviving Company to (i) amend the Articles of Incorporation of the Surviving Company, or (ii) merge or consolidate with any other entity, dissolve, reorganize, or undergo any fundamental corporate change.

Authorization

4.2 WPCS hereby agrees to authorize and direct any and all federal, state, municipal, foreign and international governments and regulatory authorities having jurisdiction respecting WPCS and its subsidiaries to release any and all information in their possession respecting WPCS and its subsidiaries to Walker. WPCS shall promptly execute and deliver to Walker any and all consents to the release of information and specific authorizations which Walker reasonably requires to gain access to any and all such information.

Reports Under Exchange Act

4.3 With a view to making available to the Walker Shareholders the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the Commission that may at any time permit the Walker Shareholders to sell securities of WPCS to the public without registration and without imposing restrictions arising under the federal securities laws on the purchases thereof (“Rule 144”), and provided that the one year holding period imposed by paragraph d of Rule 144 has been met, WPCS agrees to furnish to each Walker Shareholder, so long as such Walker Shareholder owns WPCS Common Shares, promptly upon request, (i) a written statement by WPCS that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of WPCS and such other reports and documents so filed by WPCS, and (iii) such other information as may be reasonably requested to permit the Walker Shareholders to sell such securities pursuant to Rule 144 without registration.

Survival

4.4 The covenants set forth in this Article shall survive the Closing for the benefit of the Walker Shareholders.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF
WALKER

Representations and Warranties

5.1 Walker represents and warrants to WPCS, with the intent that it will rely thereon in entering into this Agreement and in approving and completing the transactions contemplated hereby, that, except as disclosed in the Walker Disclosure Letter:

Walker - Corporate Status and Capacity

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(a) Incorporation. Walker is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, has the corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted or as proposed to be conducted, and is qualified as a foreign corporation in each jurisdiction in which a failure to be so qualified could reasonably be expected to have a material adverse effect on its present or expected operations or financial condition.

(b) Power and Capacity. Walker has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, and all agreements to which Walker is or will be a party that are required to be executed pursuant to this Agreement (the "***Walker Ancillary Agreements***"). The execution, delivery and performance of this Agreement and the Walker Ancillary Agreements has been duly and validly approved and authorized by the Board of Directors and stockholders of Walker, as required by applicable law and its articles of incorporation and bylaws.

(c) No Filings. No filing, authorization or approval, governmental or otherwise, is necessary to enable Walker to enter into, and to perform its obligations under, this Agreement and the Walker Ancillary Agreements, except for (a) the filing of the Agreement of Merger with the Delaware and California Secretaries of State, the recording of the Agreement of Merger in the office of the Recorder of the Delaware county in which WPCS's registered office is located, and the filing of appropriate documents with the relevant authorities of other states in which Walker is qualified to do business, if any, (b) such filings as may be required to comply with federal and state securities laws, and (c) certain third-party consents, which have been disclosed in Walker's Disclsoure Letter.

(d) Binding Obligation. This Agreement and the Walker Ancillary Agreements are, or when executed by Walker will be, valid and binding obligations of Walker enforceable in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

Walker - Capitalization

(e) Authorized Capital. The authorized capital of Walker consists of 1,000 shares of common stock, no par value per share;

(f) Ownership of Walker Shares. The issued and outstanding share capital of Walker will on Closing consist of 100 shares of common stock (being the Walker Shares), which shares on Closing shall be validly issued and outstanding as fully paid and non-assessable shares. The Walker Shareholders will be at Closing the registered and beneficial owner of the Walker Shares. The Walker Shares owned by the Walker Shareholders will on Closing be free and clear of any and all liens, charges, pledges, encumbrances, restrictions on transfer and adverse claims whatsoever;

(g) No Option. No person, firm or corporation has any agreement, warrant or option or any right capable of becoming an agreement, warrant or option for the acquisition of any capital stock or equity interest in Acquirer;

(h) No Restrictions. There are no restrictions on the transfer, sale or other disposition of Walker Shares contained in the charter documents of Walker or under any agreement;

Walker - Records and Financial Statements

(i) Charter Documents. The charter documents of Walker have not been altered since its incorporation date, except as filed in the record books of Walker;

(j) Corporate Minute Books. The corporate minute books of Walker are complete and each of the minutes contained therein accurately reflect the actions that were taken at a duly called and held meeting or by consent without a meeting. All actions by Walker which required director or shareholder approval are reflected on the corporate minute books of Walker. Walker is not in violation or breach of, or in default with respect to, any term of its ^Articles of Incorporation (or other charter documents) or by-laws, except where such breach or default would not have a material adverse effect upon Walker;

(k) Walker Financial Statements. The Walker Financial Statements present fairly, in all material respects, the assets and liabilities (whether accrued, absolute, contingent or otherwise) of Walker as of the respective dates thereof, and the results of operations and statement of cash flows of Walker during the periods covered thereby, in all material respects, and were prepared on an *accrual* basis in accordance with generally accepted accounting principles consistently applied throughout the periods indicated, except for the treatment of the Walker Unlisted Inventory;

(l) Walker Accounts Payable and Liabilities. There are no material liabilities, contingent or otherwise, of Walker which are not disclosed in Schedule “A” hereto or reflected in the Walker Financial Statements except those incurred in the ordinary course of business since the date of the said schedule and the Walker Financial Statements, and Walker has not guaranteed or agreed to guarantee any debt, liability or other obligation of any person, firm or corporation. Without limiting the generality of the foregoing, all accounts payable and liabilities of Walker as of October 31, 2002 are described in Schedule “A” hereto;

(m) Walker Accounts Receivable. All Walker Accounts Receivable result from bona fide business transactions and services actually rendered without, to the knowledge and belief of Walker, any claim by the obligor for set-off or counterclaim;

(n) Walker Bank Accounts. All of the Walker Bank Accounts, their location, numbers and the authorized signatories thereto are as set forth in Schedule "C" hereto;

(o) No Debt to Related Parties. Walker is not, and on Closing will not be, materially indebted to the Walker Shareholders nor to any family member thereof, nor to any affiliate, director or officer of Walker or the Walker Shareholders except accounts payable on account of bona fide business transactions of Walker incurred in normal course of Walker Business, including employment agreements with the Walker Shareholders and attached to Schedule "D" hereto is an accounts payable aging ledger;

(p) No Related Party Debt to Walker. Neither the Walker Shareholders nor any director, officer or affiliate of Walker are now indebted to or under any financial obligation to Walker on any account whatsoever, except for advances on account of travel and other expenses not exceeding $5,000 in total;

(q) No Dividends. No dividends or other distributions on any shares in the capital of Walker have been made, declared or authorized since the date of the Walker Financial Statements;

(r) No Payments. No payments of any kind have been made or authorized since the date of the Walker Financial Statements to or on behalf of the Walker Shareholders or to or on behalf of officers, directors, shareholders or employees of Walker, except payments made in the ordinary course of business and at the regular rates of salary or other remuneration payable to them;

(s) No Pension Plans. There are no pension, profit sharing, group insurance or similar plans or other deferred compensation plans affecting Walker;

(t) No Adverse Events. Since the date of the Walker Financial Statements, except as described in the Walker Disclosure Letter:

(i) there has not been any material adverse change in the properties, results of operations, financial position or condition of Walker, its liabilities or the Walker Assets or any damage, loss or other change in circumstances materially affecting Walker, the Walker Business or the Walker Assets or Walker's right to carry on the Walker Business, other than changes in the ordinary course of business,

(ii) there has not been any damage, destruction, loss or other event (whether or not covered by insurance) materially and adversely affecting Walker, the Walker Business or the Walker Assets,

(iii) there has not been any material increase in the compensation payable or to become payable by Walker to the Walker Shareholders or to any of Walker's officers, employees or agents or any bonus, payment or arrangement made to or with any of them,

(iv) the Walker Business has been and continues to be carried on in the ordinary course,

(v) Walker has not waived or surrendered any right of material value,

(vi) Walker has not discharged or satisfied or paid any lien or encumbrance or obligation or liability other than current liabilities in the ordinary course of business, and

(vii) no capital expenditures in excess of $10,000 individually or $30,000 in total have been authorized or made;

Walker - Income Tax Matters

(u) Tax Returns. All tax returns and reports of Walker required by law to be filed have been filed based on a *cash* basis, and are true, complete and correct, and any taxes payable in accordance with any return filed by Walker or in accordance with any notice of assessment or reassessment issued by any taxing authority have been so paid;

(v) Current Taxes. Adequate provisions have been made for taxes payable for the current period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return by, or payment of, any tax, governmental charge or deficiency by Walker. Walker is not aware of any contingent tax liabilities or any grounds which would prompt a reassessment;

Walker - Applicable Laws and Legal Matters

(w) Licenses. Walker holds all licenses and permits as may be requisite for carrying on the Walker Business in the manner in which it has heretofore been carried on, which licenses and permits have been maintained and continue to be in good standing except where the failure to obtain or maintain such licenses or permits would not have a material adverse effect on the Walker Business;

(x) Applicable Laws. Walker has not been charged with or received notice of breach of any laws, ordinances, statutes, regulations, by-laws, orders or decrees to which it is subject or which applies to it the violation of which would have a material adverse effect on the Walker Business, and, to Walker's knowledge, Walker is not in breach of any laws, ordinances, statutes, regulations, by-laws, orders or decrees the contravention of which would result in a material adverse impact on the Walker Business;

(y) Pending or Threatened Litigation. There is no material litigation or administrative or governmental proceeding pending or threatened against or relating to Walker, the Walker Business, or any of the Walker Assets, nor does Walker have any knowledge of any deliberate act or omission of Walker that would form any material basis for any such action or proceeding;

(z) No Bankruptcy. Walker has not made any voluntary assignment or proposal under applicable laws relating to insolvency and bankruptcy and no bankruptcy petition has been filed or presented against Walker and no order has been made or a resolution passed for the winding-up, dissolution or liquidation of Walker;

(aa) Labor Matters. Walker is not a party to any collective agreement relating to the Walker Business with any labor union or other association of employees and no part of the Walker Business has been certified as a unit appropriate for collective bargaining or, to the knowledge of Walker, has made any attempt in that regard and Walker has no reason to believe that any current employees will leave Walker's employ as a result of this Merger;

(bb) Finder's Fees. Walker is not a party to any agreement which provides for the payment of finder's fees, brokerage fees, commissions or other fees or amounts which are or may become payable to any third party in connection with the execution and delivery of this Agreement and the transactions contemplated herein, except for certain amounts owed to Crader & Associates, Inc., of which (i) WPCS shall issue 74,560 WPCS Common Shares to Crader & Associates, Inc. at the Closing, (ii) WPCS shall issue 24,860 shares to Ray Helterline at the Closing, and (iii) the remainder shall be paid by the Walker Shareholders;

Execution and Performance of Agreement

(cc) No Violation or Breach. The execution and performance of this Agreement will not

(i) violate the charter documents of Walker or result in any breach of, or default under, any loan agreement, mortgage, deed of trust, or any other agreement to which Walker is a party,

(ii) give any person any right to terminate or cancel any agreement including, without limitation, Walker Material Contracts, or any right or rights enjoyed by Walker,

(iii) result in any alteration of Walker's obligations under any agreement to which Walker is a party including, without limitation, the Walker Material Contracts,

(iv) result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favor of a third party upon or against the Walker Assets,

(v) result in the imposition of any tax liability to Walker relating to Walker Assets or the Walker Shares, or

(vi) violate any court order or decree to which either Walker is subject;

Walker Assets - Ownership and Condition

(dd) Business Assets. The Walker Assets comprise all of the property and assets of the Walker Business, and neither the Walker Shareholders nor any other person, firm or corporation owns any assets used by Walker in operating the Walker Business, whether under a lease, rental agreement or other arrangement;

(ee) Title. Walker is the legal and beneficial owner of the Walker Assets, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances or other claims whatsoever;

(ff) No Option. No person, firm or corporation has any agreement or option or a right capable of becoming an agreement for the purchase of any of the Walker Assets;

(gg) Walker Insurance Policies. Walker maintains the public liability insurance and insurance against loss or damage to the Walker Assets and the Walker Business as described in Schedule “G” hereto;

(hh) Walker Material Contracts. The Walker Material Contracts listed in Schedule “H” constitute all of the material contracts of Walker;

(ii) No Default. There has not been any default in any material obligation of Walker or to the knowledge of Walker any other party to be performed under any of Walker Material Contracts, each of which to the knowledge of Walker is in good standing and in full force and effect and unamended, and Walker is not aware of any default in the obligations of any other party to any of the Walker Material Contracts;

(jj) No Compensation on Termination. There are no agreements, commitments or understandings relating to severance pay or separation allowances on termination of employment of any employee of Walker. Walker is not obliged to pay benefits or share profits with any employee after termination of employment except as required by law;

Walker Assets - Walker Equipment

(kk) Walker Equipment. The Walker Equipment has been maintained in a manner consistent with that of a reasonably prudent owner and to the knowledge of Walker such equipment is in good working condition;

Walker Assets - Walker Goodwill and Other Assets

(ll) Walker Goodwill. Walker carries on the Walker Business only under the name "Walker Comm, Inc." and variations thereof and under no other business or trade names. Walker does not have any knowledge of any infringement by Walker of any patent, trademark, copyright or trade secret;

The Business of Walker

(mm) Maintenance of Business. Since the date of the Walker Financial Statements, the Walker Business has been carried on in the ordinary course and Walker has not entered into any material agreement or commitment except in the ordinary course; and

(nn) Subsidiaries. Walker does not own any subsidiaries and does not otherwise own, directly or indirectly, any shares or interest in any other corporation, partnership, joint venture or firm and Walker does not own any subsidiary and does not otherwise own, directly or indirectly, any shares or interest in any other corporation, partnership, joint venture or firm.

Non-Merger and Survival

5.2 The representations and warranties of Walker contained herein will be true at and as of Closing in all material respects as though such representations and warranties were made as of such time. Notwithstanding the completion of the transactions contemplated hereby, the waiver of any condition contained herein (unless such waiver expressly releases a party from any such representation or warranty) or any investigation made by WPCS, the representations and warranties of Walker shall survive the Closing for a period of two (2) years.

Indemnity

5.3 D. Walker and G. Walker jointly and severally agree to indemnify and save harmless WPCS from and against any and all claims, demands, actions, suits, proceedings, assessments, judgments, damages, costs, losses and expenses, including any payment made in good faith in settlement of any claim (subject to the right of D. Walker and G. Walker to defend any such claim), resulting from the breach by Walker of any representation, warranty or covenant of Walker made under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished by Walker or the Walker Shareholders to WPCS hereunder provided that (i) each individual claim or series of related claims exceeds $10,000 and (ii) the amount of all such claims shall not exceed the greater of (A) $250,000 or (B) the gross amount realized by the Walker Shareholders from the sale of the Acquisition Shares during the period of two (2) years following the Closing Date.

ARTICLE 6
COVENANTS OF WALKER AND
THE WALKER SHAREHOLDERS

Covenants

6.1 Walker and the Walker Shareholders covenant and agree with WPCS that they will:

(a) Conduct of Business. Until the Closing, conduct the Walker Business diligently and in the ordinary course consistent with the manner in which the Walker Business generally has been operated up to the date of execution of this Agreement;

(b) Preservation of Business. Until the Closing, use their best efforts to preserve the Walker Business and the Walker Assets and, without limitation, preserve for WPCS Walker's relationships with their suppliers, customers and others having business relations with them;

(c) Access. Until the Closing, give WPCS and its representatives full access to all of the properties, books, contracts, commitments and records of Walker relating to Walker, the Walker Business and the Walker Assets, and furnish to WPCS and its representatives all such information as they may reasonably request;

(d) Procure Consents. Until the Closing, take all reasonable steps required to obtain, prior to Closing, any and all third party consents required to permit the Merger and to preserve and maintain the Walker Assets, including the Walker Material Contracts, notwithstanding the change in control of Walker arising from the Merger; and

(f) Delivery of Registration Rights Agreement. On the Closing Date, the Walker Shareholders will deliver the executed Registration Rights Agreement to WPCS.

(e) Employment Agreement. On the Closing Date, D. Walker and G. Walker will deliver the executed Employment Agreements to WPCS.

Authorization

6.2 Walker hereby agrees to authorize and direct any and all federal, state, municipal, foreign and international governments and regulatory authorities having jurisdiction respecting Walker to release any and all information in their possession respecting Walker to WPCS. Walker shall promptly execute and deliver to WPCS any and all consents to the release of information and specific authorizations which WPCS reasonably require to gain access to any and all such information.

Survival

6.3 The covenants set forth in this Article shall survive the Closing for the benefit of WPCS.

ARTICLE 7
CONDITIONS PRECEDENT

Conditions Precedent in favor of WPCS

7.1 WPCS' obligations to carry out the transactions contemplated hereby are subject to the fulfillment of each of the following conditions precedent on or before the Closing:

(a) all documents or copies of documents required to be executed and delivered to WPCS by Walker or the Walker Shareholders under Section 9.2 will have been so executed and delivered;

(b) all of the terms, covenants and conditions of this Agreement to be complied with or performed by Walker or the Walker Shareholders at or prior to the Closing will have been complied with or performed;

(c) WPCS shall have completed its review and inspection of the books and records of Walker and shall be satisfied with same in all material respects;

(d) title to the Walker Shares held by the Walker Shareholders and to the Walker Assets will be free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances or other claims whatsoever;

(e) the Certificates of Merger shall be executed by Walker in form acceptable for filing with the Delaware and California Secretaries of State;

(f) subject to Article 8 hereof, there will not have occurred

(i) any material adverse change in the financial position or condition of Walker, its liabilities or the Walker Assets or any damage, loss or other change in circumstances materially and adversely affecting the Walker Business or the Walker Assets or Walker's right to carry on the Walker Business, other than (i) changes described in the Schedule "A" hereto and (ii) changes in the ordinary course of business, none of which has been materially adverse, or

(ii) any damage, destruction, loss or other event, including changes to any laws or statutes applicable to Walker or the Walker Business (whether or not covered by insurance) materially and adversely affecting Walker, the Walker Business or the Walker Assets; and

(g) the transactions contemplated hereby shall have been approved by all other regulatory authorities having jurisdiction over the subject matter hereof, if any.

Waiver by WPCS

7.2 The conditions precedent set out in the preceding section are inserted for the exclusive benefit of WPCS and any such condition may be waived in whole or in part by WPCS at or prior to Closing by delivering to Walker and the Walker Shareholders a written waiver to that effect signed by WPCS. In the event that the conditions precedent set out in the preceding section are not satisfied on or before the Closing, WPCS shall be released from all obligations under this Agreement.

Conditions Precedent in Favor of Walker and the Walker Shareholders

7.3 The obligations of Walker and the Walker Shareholders to carry out the transactions contemplated hereby is subject to the fulfillment of each of the following conditions precedent on or before the Closing:

(a) all documents or copies of documents required to be executed and delivered to Walker or the Walker Shareholder by WPCS or Acquirer under Section 9.3 will have been so executed and delivered;

(b) all of the terms, covenants and conditions of this Agreement to be complied with or performed by WPCS at or prior to the Closing will have been complied with or performed;

(c) Walker shall have completed its review and inspection of the books and records of WPCS and its subsidiaries and shall be satisfied with same in all material respects;

(d) WPCS will have delivered the Acquisition Shares to be issued pursuant to the terms of the Merger to the Walker Shareholders at the Closing and the Acquisition Shares will be registered on the books of WPCS in the name of the Walker Shareholders at the Effective Time;

(e) WPCS shall have delivered 74,580 WPCS Shares to Crader & Associates, Inc., and 24,860 WPCS Shares to Ray Helterline;

(f) title to the Acquisition Shares and the Crader Shares will be free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances or other claims whatsoever;

(g) payment of the Cash Consideration required to be paid as of the Closing Date shall have been made;

(h) payment to the Walker Shareholders of the amount of working capital of Walker (as described in Section 9.2(e)) in excess of $1,200,000, if not previously withdrawn;

(i) WPCS shall have executed agreements to assume (i) all leases for real and personal property used by the Walker Business, and (ii) all bonding company indemnification agreements that D. Walker and/or G. Walker have entered into on behalf of Walker, if any.

(j) the Certificate of Merger shall be executed by the Acquirer in form acceptable for filing with the Delaware and California Secretaries of State;

(k) subject to Article 8 hereof, there will not have occurred

(i) any material adverse change in the financial position or condition of WPCS, its subsidiaries, their assets of liabilities or any damage, loss or other change in circumstances materially and adversely affecting WPCS or the WPCS Business or WPCS' right to carry on the WPCS Business, other than changes in the ordinary course of business, none of which has been materially adverse, or

(ii) any damage, destruction, loss or other event, including changes to any laws or statutes applicable to WPCS or the WPCS Business (whether or not covered by insurance) materially and adversely affecting WPCS, its subsidiaries or its assets; and

(h) the transactions contemplated hereby shall have been approved by all other regulatory authorities having jurisdiction over the subject matter hereof, if any.

Waiver by Walker and the Walker Shareholders

7.4 The conditions precedent set out in the preceding section are inserted for the exclusive benefit of Walker and the Walker Shareholders and any such condition may be waived in whole or in part by Walker or the Walker Shareholders at or prior to the Closing by delivering to WPCS a written waiver to that effect signed by Walker and the Walker Shareholders. In the event that the conditions precedent set out in the preceding section are not satisfied on or before the Closing Walker and the Walker Shareholders shall be released from all obligations under this Agreement.

Termination

7.6 Notwithstanding any provision herein to the contrary, if the Closing does not occur on or before January 31, 2003, this Agreement will be at an end and will have no further force or effect, unless otherwise agreed upon by the parties in writing.

Confidentiality

7.7 Notwithstanding any provision herein to the contrary, the parties hereto agree that the existence and terms of this Agreement are confidential and that if this Agreement is terminated pursuant to the preceding section the parties agree to return to one another any and all financial, technical and business documents delivered to the other party or parties in connection with the negotiation and execution of this Agreement and shall keep the terms of this Agreement and all information and documents received from Walker and WPCS and the contents thereof confidential and not utilize nor reveal or release same, provided, however, that WPCS may be required to issue news releases regarding the execution and consummation of this Agreement and file a Current Report on Form 8-K with the Securities and Exchange Commission respecting the proposed Merger contemplated hereby together with such other documents as are required to maintain the currency of WPCS' filings with the Securities and Exchange Commission.

No-Shop Provision

7.8 From the date hereof until the close of business on January 31, 2003, the parties hereto agree that they shall not, nor will they cause their directors, officers, employees, agents and representatives to, directly or indirectly, solicit or entertain offers from, hold meetings or discussions with, or in any manner encourage, accept or consider any proposal of, any other person relating to the acquisition of Walker, shares of Walker's capital stock, securities convertible into or exchangeable for shares of Walker's capital stock, or Walker's assets or business, in whole or in part, whether directly or indirectly, through purchase, merger, consolidation, original issuance, or otherwise. Walker and the Walker Shareholders will immediately notify WPCS in writing regarding any such contact from the date hereof until the close of business on January 31, 2003.

ARTICLE 8
RISK

Material Change in the Business of Walker

8.1 If any material loss or damage to the Walker Business occurs prior to Closing and such loss or damage, in WPCS' reasonable opinion, cannot be substantially repaired or replaced within sixty (60) days, WPCS shall, within two (2) days following any such loss or damage, by notice in writing to Walker, at its option, either:

(a) terminate this Agreement, in which case no party will be under any further obligation to any other party; or

(b) elect to complete the Merger and the other transactions contemplated hereby, in which case the proceeds and the rights to receive the proceeds of all insurance covering such loss or damage will, as a condition precedent to WPCS' obligations to carry out the transactions contemplated hereby, be vested in Walker or otherwise adequately secured to the satisfaction of WPCS on or before the Closing Date.

Material Change in the WPCS Business

8.2 If any material loss or damage to the WPCS Business occurs prior to Closing and such loss or damage, in Walker's reasonable opinion, cannot be substantially repaired or replaced within sixty (60) days, Walker shall, within two (2) days following any such loss or damage, by notice in writing to WPCS, at its option, either:

(a) terminate this Agreement, in which case no party will be under any further obligation to any other party; or

(b) elect to complete the Merger and the other transactions contemplated hereby, in which case the proceeds and the rights to receive the proceeds of all insurance covering such loss or damage will, as a condition precedent to Walker's obligations to carry out the transactions contemplated hereby, be vested in WPCS or otherwise adequately secured to the satisfaction of Walker on or before the Closing Date.

ARTICLE 9
CLOSING

Closing

9.1 The Merger and the other transactions contemplated by this Agreement will be closed at the Place of Closing in accordance with the closing procedure set out in this Article.

Documents to be Delivered by Walker

9.2 On or before the Closing, Walker and the Walker Shareholders will deliver or cause to be delivered to WPCS:

(a) the original or certified copies of the charter documents of Walker and all corporate records documents and instruments of Walker, the corporate seal of Walker and all books and accounts of Walker;

(b) all reasonable consents or approvals required to be obtained by Walker for the purposes of completing the Merger and preserving and maintaining the interests of Walker under any and all Walker Material Contracts and in relation to Walker Assets;

(c) certified copies of such resolutions of the shareholders and directors of Walker as are required to be passed to authorize the execution, delivery and implementation of this Agreement;

(d) an acknowledgement from Walker and the Walker Shareholders of the satisfaction of the conditions precedent set forth in section 7.3 hereof;

(e) an Officer's Certificate executed by a duly authorized officer of Walker stating that the working capital of Walker at the Closing Date (being cash, all accounts receivable net of bad debt reserve, employee receivables, workmen's compensation refunds receivable for the 2002 fiscal year, costs in excess of billings, less accounts payable, accrued expenses (short term liabilities as listed on the Walker Financial Statement as of Oct. 31, 2002), other than Section 125 Plan liabilities, dental trust fund payable, notes payable - autos (ST), state income tax liability calculated on a cash-basis taxable income, and billings in excess of costs) is not less that $1,200,000, provided, however, that the Walker Shareholders shall be entitled to withdraw any working capital of Walker in excess of $1,200,000;

(f) the Employment Agreements, duly executed by Walker, D. Walker and G. Walker;

(g) the Certificates of Merger, duly executed by Walker;

(h) the Registration Rights Agreement, duly executed by the Walker Shareholders; and

(i) such other documents as WPCS may reasonably require to give effect to the terms and intention of this Agreement.

Documents to be Delivered by WPCS

9.3 On or before the Closing, WPCS shall deliver or cause to be delivered to Walker and the Walker Shareholders:

(a) share certificates representing the Acquisition Shares duly registered in the names of the Walker Shareholders;

(b) the Cash Consideration due to be paid on the Closing Date;

(c) certified copies of such resolutions of the directors of WPCS as are required to be passed to authorize the execution, delivery and implementation of this Agreement;

(d) a certified copy of a resolution of the directors of WPCS dated as of the Closing Date appointing G. Walker as a director of WPCS;

(e) a certified copy of a resolution of the directors of Walker dated as of the Closing Date, approving the Employment Agreements;

(f) an acknowledgement from WPCS of the satisfaction of the conditions precedent set forth in section 7.1 hereof;

(g) the Employment Agreements, duly executed by WPCS:

(h) the Registration Rights Agreement, duly executed by WPCS;

(i) the Certificates of Merger, duly executed by the Acquirer;

(j) the Indemnification Agreements between WPCS and D. Walker and G. Walker, in substantially the form attached hereto as Exhibit D;

(k) the Assumption Agreement, duly executed by WPCS;

(l) the Security Agreement between WPCS, Walker and the Walker Shareholders in substantially the form attached hereto as Schedule M; and

(m) such other documents as Walker may reasonably require to give effect to the terms and intention of this Agreement.

ARTICLE 10
POST-CLOSING MATTERS

Forthwith after the Closing, WPCS, Walker and the Walker Shareholders agree to use all their best efforts to:

(a) file the Certificates of Merger with Secretaries of State of Delaware and California;

(b) cause the directors of Walker to be D. Walker, G. Walker, Andrew Hidalgo, E.J. von Schaumburg and Andrew Shoffner;

(c) issue a news release reporting the Closing;

(d) file a Form 8-K with the Securities and Exchange Commission disclosing the terms of this Agreement and, not more than 60 days following the filing of such Form 8-K, to file and amended Form 8-K which includes audited financial statements of Walker as well as pro forma financial information of Walker and WPCS as required by Regulation SB as promulgated by the Securities and Exchange Commission; and

(e) file reports on Form 3 (and Form 13D, where applicable) with the Securities and Exchange Commission disclosing the acquisition of the Acquisition Shares by the Walker Shareholders.

ARTICLE 11
GENERAL PROVISIONS

Arbitration

11.1 The parties hereto shall attempt to resolve any dispute, controversy, difference or claim arising out of or relating to this Agreement by negotiation in good faith. If such good negotiation fails to resolve such dispute, controversy, difference or claim within thirty (30) days after any party delivers to any other party a notice of its intent to submit such matter to arbitration, then any party to such dispute, controversy, difference or claim may submit such matter to arbitration.

Any action or proceeding seeking to enforce any provision of, or based upon any right arising out of, this Agreement shall be settled by binding arbitration by a panel of three (3) arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association and governed by the laws of the State of Delaware (without regard to the choice-of-law rules or principles of that jurisdiction). Judgment upon the award may be entered in any court located in the State of Delaware, and all the parties hereto hereby consent to submit to the jurisdiction of such courts and expressly waive any objections or defense based upon lack of personal jurisdiction or venue.

Each of the plaintiff and defendant party to the arbitration shall select one (1) arbitrator (or where multiple plaintiffs and/or defendants exist, one (1) arbitrator shall be chosen collectively by such parties comprising the plaintiffs and one (1) arbitrator shall be chosen collectively by those parties comprising the defendants) and then the two (2) arbitrators shall mutually agree upon the third arbitrator. Where no agreement can be reached on the selection of either a third arbitrator or an arbitrator to be named by either a group of plaintiffs or a group of defendants, any implicated party may apply to a judge of the courts of the State of Delaware, to name an arbitrator. The location of any arbitration shall be in the State of Delaware. Process in any such action or proceeding may be served on any party anywhere in the world.

Procedure for Indemnity Claims

11.2 Indemnification Claim Made by WPCS.

(a) Stockholder's Representative. For the purposes of this Agreement, G. Walker shall act as the representative (the "***Stockholders' Representative***") and attorney-in-fact for D. Walker and G. Walker (the "***Principals***") with full power of attorney to act on their behalf with respect to any indemnification claims made by WPCS under this Agreement including, but not limited to, administering, settling, or otherwise resolving any WPCS Claim Notice (as defined in Section 11.2(b) below), responding to and settling any WPCS Claim Notice, and executing and delivering any statement, release or settlement to WPCS. If G. Walker resigns, dies, or is incapacitated and, therefore, unable to act as agent as herein contemplated, then D. Walker shall be the Stockholders' Representative. The Principals may appoint a different Stockholders' Representative by giving written notice thereof to WPCS.

(b) Notice. If WPCS elects to assert a claim for indemnification by the Principals under this Agreement, it shall give written notice ("***WPCS Claim Notice***") to the Stockholders' Representative within the time period set forth in Section 11.2(f) of this Agreement. Such notice shall include a general description of the claim and the basis therefore and, if applicable, reference to the relevant provisions of this Agreement, documents or other evidence supporting such claim, and the amount, if known, asserted by WPCS for such claim (including, if appropriate, an estimate of all costs and expenses reasonably expected to be incurred by WPCS by reason of such claim). Such notice and other notices hereunder shall be given to the Stockholders' Representative and to the other parties in accordance with and at the addresses provided in Sections 11.4 and 11.5 of this Agreement. Within twenty (20) business days after receipt of the WPCS Claim Notice, the Stockholders' Representative will advise WPCS whether the Principals agree with the WPCS Claim Notice and to the amount thereof, or whether Principals object to the same.

(c) Payment to WPCS. The Principals shall pay WPCS (i) the amount of the WPCS Claim Notice if WPCS has not received a response to the WPCS Claim Notice from the Stockholders' Representative within twenty (20) business days after receipt of the WPCS Claim Notice by the Stockholders' Representative, stating that the Principals object to the WPCS Claim Notice; or (ii) such other amount as WPCS and the Stockholders' Representative may agree upon in a writing signed by both parties.

(d) Unliquidated Claims. If a claim for indemnification arises out of, or is based on, a claim or right asserted by a third party, the parties shall not be required to resolve the amount of such loss until such third party claim is resolved whether by judicial decision or otherwise, and all appeals have been exhausted or the time for filing such appeals shall have expired.

(e) Mutual Resolution. If the Principals object to a WPCS Claim Notice, the Principals and WPCS shall use their best efforts to attempt in good faith to resolve such claim in an expedited manner. Each party shall cooperate in furnishing, or providing access to, all available documents or other evidence relevant to such claim, except any privileged evidence or materials specifically prepared to support such WPCS Claim Notice by WPCS or to support the Principals' defense in respect of such claim. To the extent the amount of such WPCS Claim Notice is not finally resolved within sixty (60) days after objection is made by the Stockholders' Representative, the disputed portion of such claim shall be submitted for settlement pursuant to Section 11.1 of this Agreement, unless otherwise agreed by the parties. To the extent the amount of such WPCS Claim Notice is finally resolved, WPCS and the Stockholders' Representative shall sign a written statement setting forth such settlement amount. WPCS shall then be entitled to receive payment of such settlement amount from the Principals.

(f) Termination. WPCS's right to indemnification under this Agreement shall apply only to those claims written notice of which shall have been delivered by WPCS to the Stockholders' Representative not later than two (2) years after the Closing Date.

(g) Settlement of Claims. To the extent that the Principals and WPCS have not resolved any disputed WPCS Claim Notice pursuant to Section 11.2.(e) above, such dispute shall be settled in accordance with the dispute resolution procedures set forth in Section 11.1 of this Agreement.

11.3 Indemnification Claim Made by Walker or the Walker Shareholders.

(a) Stockholder's Representative. For the purposes of this Agreement, G. Walker shall act as the representative (the "***Stockholders' Representative***") and attorney-in-fact for Walker and the Walker Shareholders with full power of attorney to act on their behalf with respect to any indemnification claims made by Walker or the Walker Shareholders under this Agreement including, but not limited to, filing, administering, settling, or otherwise resolving any Walker Claim Notice (as defined in Section 11.3(b) below), and executing and delivering any statement, release or settlement to WPCS with respect to a Walker Claim Notice. If G. Walker resigns, dies, or is incapacitated and, therefore, unable to act as agent as herein contemplated, then D. Walker shall be the Stockholders' Representative. The Principals may appoint a different Stockholders' Representative by giving written notice thereof to WPCS.

(b) Notice. If Walker or the Walker Shareholders elect to assert a claim for indemnification by WPCS under this Agreement, it shall give written notice ("***Walker Claim Notice***") to WPCS within the time period set forth in Section 11.3(f) of this Agreement. Such notice shall include a general description of the claim and the basis therefore and, if applicable, reference to the relevant provisions of this Agreement, documents or other evidence supporting such claim, and the amount, if known, asserted by Walker or the Walker Shareholders for such claim (including, if appropriate, an estimate of all costs and expenses reasonably expected to be incurred by Walker or the Walker Shareholders by reason of such claim). Such notice and other notices hereunder shall be given to WPCS and to the other parties in accordance with and at the addresses provided in Sections 11.4 and 11.5 of this Agreement. Within twenty (20) business days after receipt of the Walker Claim Notice, WPCS will advise the Stockholders' Representative whether WPCS agrees with the Walker Claim Notice and to the amount thereof, or whether WPCS objects to the same.

(c) Payment to Walker or Walker Shareholders WPCS shall pay Walker or the Walker Shareholders (i) the amount of the Walker Claim Notice if the Shareholders' Representative has not received a response to the Walker Claim Notice from WPCS within twenty (20) business days after receipt of the Walker Claim Notice by WPCS, stating that WPCS objects to the Walker Claim Notice; or (ii) such other amount as WPCS and the Stockholders' Representative may agree upon in a writing signed by both parties.

(d) Unliquidated Claims. If a claim for indemnification arises out of, or is based on, a claim or right asserted by a third party, the parties shall not be required to resolve the amount of such loss until such third party claim is resolved whether by judicial decision or otherwise, and all appeals have been exhausted or the time for filing such appeals shall have expired.

(e) Mutual Resolution. If WPCS objects to a Walker Claim Notice, the Stockholders' Representative and WPCS shall use their best efforts to attempt in good faith to resolve such claim in an expedited manner. Each party shall cooperate in furnishing, or providing access to, all available documents or other evidence relevant to such claim, except any privileged evidence or materials specifically prepared to support such Walker Claim Notice by Walker or the Walker Shareholders or to support WPCS's defense in respect of such claim. To the extent the amount of such Walker Claim Notice is not finally resolved within sixty (60) days after objection is made by WPCS, the disputed portion of such claim shall be submitted for settlement pursuant to Section 11.1 of this Agreement, unless otherwise agreed by the parties. To the extent the amount of such Walker Claim Notice is finally resolved, WPCS and the Stockholders' Representative shall sign a written statement setting forth such settlement amount. Walker or the Walker Shareholders shall then be entitled to receive payment of such settlement amount from the Principals.

(f) Termination. Walker and the Walker Shareholders' right to indemnification under this Agreement shall apply only to those claims written notice of which shall have been delivered by the Stockholders' Representative to WPCS not later than two (2) years after the Closing Date.

(g) Settlement of Claims. To the extent that the Shareholders' Representative and WPCS have not resolved any disputed Walker Claim Notice pursuant to Section 11.3.(e) above, such dispute shall be settled in accordance with the dispute resolution procedures set forth in Section 11.1 of this Agreement.

Notice

11.4 Any notice required or permitted to be given by any party will be deemed to be given when in writing and delivered to the address for notice of the intended recipient by personal delivery, prepaid single certified or registered mail, or Facsimile. Any notice delivered by mail shall be deemed to have been received on the fourth business day after and excluding the date of mailing, except in the event of a disruption in regular postal service in which event such notice shall be deemed to be delivered on the actual date of receipt. Any notice delivered personally or by Facsimile shall be deemed to have been received on the actual date of delivery.

Addresses for Service

11.5 The address for service of notice of each of the parties hereto is as follows:

(a) WPCS or the Acquirer:

WPCS International Incorporated
140 South Village Avenue, Suite 20
Exton, Pennsylvania 19341
Attn: Andrew Hidalgo, President
Phone: (610) 903-0400
Facsimile: (610) 903-0401

Copy to:

Marc J. Ross, Esq.
Thomas A. Rose, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Phone: (212) 930-9700
Facsimile: (212) 930-9725

(b) Walker or the Walker Shareholders

Walker Comm, Inc.
521 Railroad Avenue
Fairfield, California 94533
Attn: Donald C. Walker, President
Phone: (707) 398-3421
Facsimile: (707) 421-1359

Copy to:

Wyman Smith, Esq.
Gaw VanMale Smith Myers & Miroglio
1000 Main Street
Suite 300
Napa, California 94559
Phone: (707) 252-9000
Facsimile: (707) 252-0792

Change of Address

11.6 Any party may, by notice to the other parties change its address for notice to some other address in North America and will so change its address for notice whenever the existing address or notice ceases to be adequate for delivery by hand. A post office box may not be used as an address for service.

Further Assurances

11.7 Each of the parties will execute and deliver such further and other documents and do and perform such further and other acts as any other party may reasonably require to carry out and give effect to the terms and intention of this Agreement.

Time of the Essence

11.8 Time is expressly declared to be the essence of this Agreement.

Entire Agreement

11.9 The provisions contained herein constitute the entire agreement among Walker, the Walker Shareholders, the Acquirer and WPCS respecting the subject matter hereof and supersede all previous communications, representations and agreements, whether verbal or written, among Walker, the Walker Shareholders, the Acquirer and WPCS with respect to the subject matter hereof.

Successors and Assigns

11.10 This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

Assignment

11.11 This Agreement is not assignable without the prior written consent of the parties hereto.

Counterparts

11.12 This Agreement may be executed in counterparts, each of which when executed by any party will be deemed to be an original and all of which counterparts will together constitute one and the same Agreement. Delivery of executed copies of this Agreement by Facsimile will constitute proper delivery, provided that originally executed counterparts are delivered to the parties within a reasonable time thereafter.

Applicable Law

11.13 This Agreement is subject to the laws of the State of Delaware.

[Remainder of page intentionally left blank.]

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

WPCS INTERNATIONAL INCORPORATED

By: /s/ ANDREW HIDALGO

Andrew Hidalgo, President

Witness
Name
Address

WALKER COMM MERGER CORP.

By: /s/ ANDREW HIDALGO

Andrew Hidalgo, President

Witness
Name
Address

WALKER COMM, INC

By: /s/ DONALD C. WALKER

Donald C. Walker, President

Witness
Name
Address

[Signature Page to Agreement and Plan of Merger dated December 30, 2002]

	/s/ DONALD C. WALKER
Witness Name Address	**DONALD C. WALKER**

	/s/ GARY R. WALKER
Witness Name Address	**GARY R. WALKER**

	/s/ TANYA D. SANCEZ
Witness Name Address	**TANYA D. SANCHEZ**

[Signature Page to Agreement and Plan of Merger dated December 30, 2002]

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Subsidiary	State of Incorporation
Clayborn Contracting Group, Inc.	California
Heinz Corporation	Missouri
Invisinet, Inc.	Delaware
Quality Communications & Alarm Company, Inc.	New Jersey
Walker Comm, Inc.	California

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this registration statement on Form SB-2 (Registration No. ________) of our report dated July 15, 2005, on our audits of the consolidated financial statements of WPCS International Incorporated and Subsidiaries as of April 30, 2005 and 2004, and for the years then ended. We also consent to the reference to our Firm under the caption “Experts.”

/s/ J.H. COHN LLP

Roseland, New Jersey
February 4, 2006