

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

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 Or 15(D) of The Securities Exchange Act of 1934

Date of report (date of earliest event reported): September 14, 2006

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

**Delaware
(State or Other Jurisdiction
of Incorporation)**

**0-26277
(Commission
File Number)**

**98-0204758
(IRS Employer
Identification No.)**

**One East Uwchlan Avenue, Suite 301, Exton, PA 19341
(Address of principal executive offices)**

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

Copy of correspondence to:

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 Results of Operations and Financial Condition

On September 14, 2006, WPCS International Incorporated (the "Company") announced its operating results for the first fiscal quarter ended July 31, 2006. A copy of the press release that discusses this matter is filed as Exhibit 99.1 to, and incorporated by reference in, this report. The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in any such filing.

ITEM 9.01 Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press Release, dated September 14, 2006, issued by WPCS International Incorporated.

SIGNATURE

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

WPCS INTERNATIONAL INCORPORATED

Date: September 14, 2006

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

WPCS Reports Record Revenue and \$0.16 EPS for First Quarter

EXTON, PA — (PR Newswire-First Call) - September 14, 2006) WPCS International Incorporated (Nasdaq: WPCS) a leader in design-build engineering services for specialty communication systems and wireless infrastructure, has reported its financial results for the first quarter ended July 31, 2006. For the quarter ended July 31, 2006, WPCS reported total revenue of approximately \$16.4 million compared to \$12.2 million for the same period a year ago, which represents an increase of approximately 35%. For the first quarter of FY2007, the reported net income was approximately \$914,000 or \$0.16 per share. For the same period last year, the reported net loss was approximately \$3.8 million or \$0.99 per share which included a non-cash loss of approximately \$4.1 million related to accounting for warrant liabilities.

Other First Quarter Highlights Include:

- The acquisition of New England Communications Systems, Inc.
- The acquisition of Southeastern Communication Service, Inc.
- The announcement of FY2007 guidance of \$75 million in revenue, \$4 million in net income and \$0.72 EPS

Andrew Hidalgo, CEO of WPCS International Incorporated, stated: "We are pleased with the first quarter results and it keeps us on target to achieve the FY2007 financial objectives. Revenue reached a new record level and net income was the highest achieved on a quarterly basis in the history of the company if you exclude the non-cash gains applied in FY2006 and FY2005. Demand for our services is very strong, evidenced by the announcement of nearly \$17 million in contracts in August alone. Furthermore, with our two recent acquisitions, our geographic scope and engineering expertise has also reached new levels. The wireless market continues to display significant growth and WPCS has positioned itself successfully to take advantage of this growing sector. We look forward to a productive FY2007."

About WPCS International Incorporated:

WPCS International Incorporated provides design-build engineering services for specialty communication systems and wireless infrastructure including site design, product integration and project management. The company has an extensive customer base that includes corporations, government entities and educational institutions. For more information, please visit our website at www.wpcs.com.

Statements about the company's future expectations, including future revenue and earnings and all other statements in this press release, other than historical facts, are "forward looking" statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and are subject to change at any time. The company's actual results could differ materially from expected results. In reflecting subsequent events or circumstances, the company undertakes no obligation to update forward-looking statements.

CONTACT:

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WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

| | Three Months Ended | |
|--|---------------------------|----------------------|
| | July 31, | |
| | <u>2006</u> | <u>2005</u> |
| | (Note 1) | |
| REVENUE | \$ 16,436,278 | \$ 12,171,639 |
| COSTS AND EXPENSES: | | |
| Cost of revenue | 11,691,468 | 9,130,091 |
| Selling, general and administrative expenses | 3,096,322 | 2,263,955 |
| Depreciation and amortization | 233,649 | 211,467 |
| Total costs and expenses | <u>15,021,439</u> | <u>11,605,513</u> |
| OPERATING INCOME | 1,414,839 | 566,126 |
| OTHER EXPENSE (INCOME): | | |
| Interest expense | 79,934 | 46,349 |
| Interest income | (100,535) | (7,584) |
| Loss on change in fair value of warrants | - | 4,110,594 |
| INCOME (LOSS) BEFORE INCOME TAX PROVISION | 1,435,440 | (3,583,233) |
| Income tax provision | <u>521,013</u> | <u>212,083</u> |
| NET INCOME (LOSS) | <u>\$ 914,427</u> | <u>(\$3,795,316)</u> |
| Basic net income (loss) per common share | <u>\$ 0.17</u> | <u>(\$0.99)</u> |
| Diluted net income (loss) per common share | <u>\$ 0.16</u> | <u>(\$0.99)</u> |
| Basic weighted average number of common shares outstanding | 5,316,482 | 3,821,385 |
| Diluted weighted average number of common shares outstanding | 5,668,242 | 3,821,385 |

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| ASSETS | July 31, 2006 (Unaudited) | April 30, 2006 |
|---|---------------------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 7,136,295 | \$ 12,279,646 |
| Accounts receivable, net of allowance of \$98,786 and \$104,786 at July 31, 2006 and April 30, 2006, respectively | 16,249,084 | 12,141,789 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 2,466,888 | 1,441,977 |
| Inventory | 1,757,804 | 1,204,540 |
| Prepaid expenses and other current assets | 696,470 | 286,625 |
| Deferred income taxes | 41,000 | 78,000 |
| Total current assets | 28,347,541 | 27,432,577 |
| PROPERTY AND EQUIPMENT, net | | |
| | 2,013,477 | 1,352,216 |
| CUSTOMER LISTS, net | | |
| | 786,305 | 864,388 |
| GOODWILL | | |
| | 19,077,318 | 14,239,918 |
| DEBT ISSUANCE COSTS, net | | |
| | 97,943 | 111,091 |
| DEFERRED INCOME TAXES | | |
| | 55,000 | 51,000 |
| OTHER ASSETS | | |
| | 586,870 | 71,128 |
| Total assets | \$ 50,964,454 | \$ 44,122,318 |

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

| LIABILITIES AND SHAREHOLDERS' EQUITY | July 31, 2006 (Unaudited) | April 30, 2006 (Note 1) |
|--|---------------------------------|-------------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of capital lease obligation | \$ 21,595 | \$ - |
| Current portion of loans payable | 276,276 | 231,065 |
| Accounts payable and accrued expenses | 6,683,344 | 4,989,861 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 1,694,044 | 1,085,312 |
| Deferred revenue | 539,757 | 128,052 |
| Due to shareholders | 318,109 | 381,377 |
| Income taxes payable | 592,166 | 420,066 |
| Deferred income taxes | 18,000 | 21,000 |
| Total current liabilities | 10,143,291 | 7,256,733 |
| Borrowings under line of credit | 4,437,446 | 3,000,000 |
| Loans payable, net of current portion | 310,359 | 256,692 |
| Due to shareholders, net of current portion | 512,891 | 514,623 |
| Deferred income taxes | 477,000 | 531,000 |
| Total liabilities | 15,880,987 | 11,559,048 |
| 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, 5,494,853 and 5,264,284 shares issued and outstanding at July 31, 2006 and April 30, 2006, respectively | 549 | 526 |
| Additional paid-in capital | 35,130,877 | 33,525,130 |
| Accumulated deficit | (47,959) | (962,386) |
| Total shareholders' equity | 35,083,467 | 32,563,270 |
| Total liabilities and shareholders' equity | \$ 50,964,454 | \$ 44,122,318 |

Note 1: Certain reclassifications have been made to prior period financial statements to conform to current presentation.