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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended April 30, 2007

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

For the transition period from _________ to __________

Commission file number: 0-26277

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

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	The NASDAQ Stock Market LLC (NASDAQ Global Market)

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

Title of class: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes☐ No☒

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes☐ No☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer☐ Accelerated filer☐ Non-accelerated filer☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act.) Yes☐ No☒

The aggregate market value of the voting common equity held by non-affiliates as of October 31, 2006, based on the closing sales price of the Common Stock as quoted on the Nasdaq Capital Market was $35,455,837.90. For purposes of this computation, all officers, directors, and 5 percent beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such directors, officers, or 5 percent beneficial owners are, in fact, affiliates of the registrant.

As of July 26, 2007, there were 6,979,256 shares of issuer's common stock outstanding.

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PART I

ITEM 1. - DESCRIPTION OF BUSINESS

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly owned subsidiaries, WPCS Incorporated , Invisinet Inc. (Invisinet), Walker Comm, Inc. (Walker Comm), Clayborn Contracting Group, Inc. (Clayborn), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), and its 60% interest in Taian AGS Pipeline Construction Co. Ltd (TAGS) from April 5, 2007 (date of acquisition), collectively “we”, us” or the "Company".

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

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our Management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Related to Our Business" below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission (SEC). We make available on our website under "Investor Relations/SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is www.wpcs.com. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

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

Overview

The increasing demand for wireless services has become the 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. The use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. We provide design-build engineering services for specialty communication systems, which are dedicated wireless networks for specified applications and for wireless infrastructure, which encompasses cellular networks for wireless carriers. Our range of services includes site design, spectrum analysis, product integration, structured cabling, electrical work, trenching, construction, testing, project management and maintenance. 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 obtain the most appropriate solution for their communication needs on a cost effective basis. Our customers include corporations, government entities and educational institutions.

With twelve offices across the United States and one office in China, we provide our services to our customers nationwide and internationally. 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, 2007, we generated revenues of approximately $70 million, an increase of 34.2% from the fiscal year ended April 30, 2006. Our backlog at April 30, 2007 was approximately $34.9 million.

Industry Background

Worldwide use of wireless communications has grown rapidly. According to a Telecommunications Industry Association report, in 2006, the domestic corporate, government and education sectors spent an estimated $8.8 billion on the deployment of wireless networks and expenditures are growing at 25% per year. In 2006, the international corporate, government and education sectors spent an estimated $28.1 billion on the deployment of wireless networks and expenditures are growing at 33% per year. According to a report issued by The Cellular Telecommunications & Internet Association (CTIA), wireless carriers spent $33 billion on capital investments and expenditures are growing at 14% per year. The growing numbers of wireless users has fueled the growth of the wireless services industry.

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 in most instances.

- *Cost.* Wireless networks cost less than comparable landline networks both to deploy and to operate. Wireless deployment is less expensive because the installation of a landline network is more labor-intensive, requires more time and may involve substantial right-of-way expenditures. 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 landlines 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 networks can be tied to the following key trends:

- Increased security of wireless data transmission;

- Introduction of new technologies;

- Increasing accessibility and affordability of wireless mobile devices; and

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

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

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:

- *Provide additional services for 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, healthcare, security and gaming. 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 deploy wireless networks to enhance productivity within these markets. We also look to expand our vertical market coverage and include these new markets as appropriate.

- *Strengthen our relationships with technology providers.* We will continue to strengthen the relationships we have with technology providers. 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 that 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 advanced solutions.

- *Seek strategic acquisitions*. We will continue to look for additional acquisitions of compatible businesses that can be assimilated into our organization, expand our geographic coverage and add accretive earnings to our business. Our preferred acquisition candidates will have experience with specialty communication systems. Since April 30, 2007, we have signed letters of intent to acquire Major Electric, Inc. and Max Engineering LLC. We expect these acquisitions to close by August 1, 2007, subject to completion of due diligence and the execution of definitive agreements.

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 fiscal year ended April 30, 2007, specialty communication systems represented approximately 81% of our total revenue, and wireless infrastructure services represented approximately 19% of our total revenue. For the fiscal year ended April 30, 2006, specialty communication systems represented approximately 82% of our total revenue, and wireless infrastructure services represented approximately 18% 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 devices used at a water treatment plant to maintain the integrity of drinking water.

In general wireless connectivity, we design and deploy networks that allow entities to reduce their dependence on high cost leased land lines. 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 an in-depth knowledge of radio frequency 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.

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 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 or 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 corporate, government and education customers in various 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 our wireless infrastructure segment, our customers are major wireless carriers.

For the fiscal years ended April 30, 2007 and 2006, we had revenue from a customer, Genentech, of approximately $12.7 million or 18.1% and $7.6 million or 14.5%, respectively. In addition, for the fiscal years ended April 30, 2007 and 2006, we had revenue from a customer, Sprint Nextel, of approximately $8.2 million or 11.7% and $10.8 million or 20.8%, 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.

Backlog

As of April 30, 2007, we had a backlog of unfilled orders of approximately $34.9 million compared to approximately $15.9 million at April 30, 2006. 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 that 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 organizations, 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 or wireless infrastructure segment but we would classify Tetra Tech Incorporated (NASDAQ-TTEK) and Black Box Corporation (NASDAQ-BBOX) as specialty communication systems competitors and LCC International Incorporated (NASDAQ-LCCI) as a wireless infrastructure services competitor.

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 an international 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 that 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 April 30, 2007, we employed 361 full time employees, of whom 239 are project engineers, 27 are project managers, 89 are in administration and sales and six are executives. A majority of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe our relations with all of our employees are good. We have approximately 106 union employees. A contract with 15 union employees expired on May 31, 2007. A new contract with this union has been negotiated and is in the process of completion. A contract with six union employees expires on September 30, 2007. A contract with 85 union employees expires on November 30, 2008.

ITEM 1A - RISK FACTORS

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 could be reduced.

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

While we had net income of approximately $4.6 million for the fiscal year ended April 30, 2007, we incurred a net loss of approximately $1.6 million for the fiscal year ended April 30, 2006. 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 monthly 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, and our failure to do so 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, 2001, we have acquired nine 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 five 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 fiscal year ended April 30, 2007, we had two separate customers which accounted for 18.1% and 11.7% of our revenues. For the fiscal year ended April 30, 2006, we had two separate customers which accounted for 20.8% and 14.5% 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 April 30, 2007, we had a backlog of unfilled orders of approximately $34.9 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.

If we are unable to retain the services of Messrs. Hidalgo, Schubiger, Heinz, Walker, or Madenford 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, Donald Walker, and Charles Madenford, our Executive Vice Presidents. Mr. Hidalgo has overseen our company since inception and provides leadership for our growth and operations strategy. Messrs. Schubiger, Heinz, Walker and Madenford run the day-to-day operations of Quality, Heinz, Walker Comm, and Clayborn respectively. Loss of the services of Messrs. Hidalgo, Schubiger, Heinz, Walker or Madenford 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, Walker or Madenford.

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 29% 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. Eight of our acquired companies, Clayborn, Heinz, Invisinet, Quality, Walker Comm, NECS, SECS and Voacolo, each of which is a reporting unit, are subject to annual review for goodwill impairment. If impairment testing indicates that the carrying value of a reporting unit exceeds its fair 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 April 30, 2006 and April 30, 2007, our common stock has traded as low as $6.53 and as high as $13.74 per share, based upon information provided by NASDAQ Capital Market and NASDAQ Global Market. 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 shareholder approval, which could adversely affect the rights of common shareholders.

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 shareholders 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 July 15, 2007, holders of our outstanding options and warrants have the right to acquire 2,454,216 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 $7.02. 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.

We are subject to the risks associated with doing business in the People's Republic of China (PRC).

We conduct certain business in China through our TAGS joint venture, which is organized under the laws of the PRC. Our China operations are directly related to and dependent on the social, economic and political conditions in this country, many of which we have no control over, and are influenced by many factors, including:

- changes in the region's economic, social and political conditions or government policies;
- changes in trade laws, tariffs and other trade restrictions or licenses;
- changes in foreign exchange regulation in China may limit our ability to freely convert currency to make dividends or other payments in U.S. dollars;
- fluctuation in the value of the RMB (Chinese Yuan) could adversely affect the value of our investment in China;
- limitations on the repatriation of earnings or assets, including cash;
- adverse changes in tax laws and regulations;
- difficulties in managing or overseeing our China operations, including the need to implement appropriate systems, policies, benefits and compliance programs; and
- different liability standards and less developed legal systems that may be less predictable than those in the United States.

The occurrence or consequences of any of these conditions may restrict our ability to operate and/or decrease the profitability our operations in China.

ITEM 2 - PROPERTIES

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	Subsidiary	Lease Expiration Date	Minimum Annual Rent
Exton, Pennsylvania	WPCS Corporate headquarters	February 1, 2008	$51,000
Auburn, California (1)	Clayborn	Month-to-month	$64,440
St. Louis, Missouri	Heinz	August 31, 2010	$56,142
Exton, Pennsylvania	Heinz	July 31, 2008	$8,640
Windsor, Connecticut	NECS	April 30, 2014	$80,821
Chicopee, Massachusetts	NECS	August 31, 2007	$3,000
Lakewood, New Jersey	Quality	August 31, 2007	$118,370
Sarasota, Florida (2)	SECS	July 31, 2011	$51,360
Trenton, New Jersey (3)	Voacolo	April 1, 2008	$54,000
Fairfield, California (4)	Walker Comm	February 28, 2011	$96,950
Rocklin, California	Walker Comm	January 31, 2008	$27,300
San Leandro, California	Walker Comm	July 31, 2008	$13,824

(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 Sarasota, Florida location from a trust, of which one of the former shareholders of Southeastern Communications Services, Inc., is the trustee.
(3) We lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo Electric, Inc., are the members.
(4) 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.

ITEM 3 - LEGAL PROCEEDINGS

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

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

None.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

Our common stock is currently traded on the NASDAQ Global Market under the symbol "WPCS." Prior to December 21, 2006, our common stock traded on the NASDAQ Capital Market.

For the period from May 1, 2005 to date, the following table sets forth the high and low sale prices of our common stock as reported by the NASDAQ Capital Market and NASDAQ Global Market.

Period	High	Low
Fiscal Year Ended April 30, 2007:		
First Quarter	$ 9.80	$ 6.53
Second Quarter	10.75	6.60
Third Quarter	10.58	8.64
Fourth Quarter	13.74	9.30
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	12.45	7.20

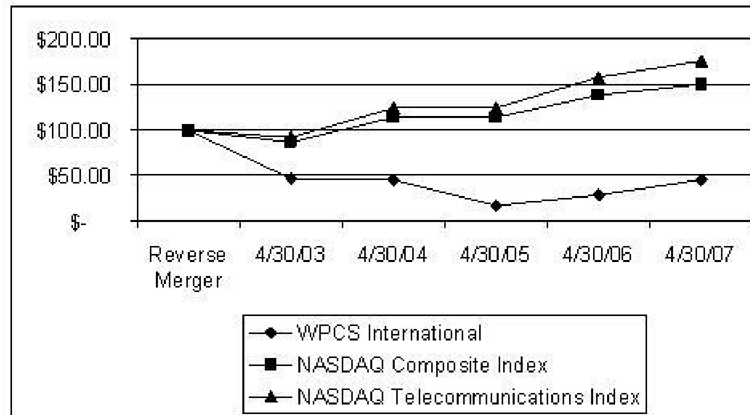
On July 26, 2007, the closing sale price of our common stock, as reported by the NASDAQ Global Market, was $13.23 per share. On July 26, 2007, there were 76 holders of record of our common stock.

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. 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.

STOCK PRICE PERFORMANCE GRAPH

Prior to May 24, 2002, we were not publicly traded and there was no public market for our securities. On May 24, 2002, we completed a reverse merger and began trading on the Over the Counter Bulletin Board. Our shares did not begin actively trading until May 29, 2002. The graph below compares the cumulative total return of our common shares with that of the NASDAQ Composite Index and the NASDAQ Telecommunications Index from May 29, 2002 (the date our shares first began actively trading) through April 30, 2007. The graph assumes that you invested $100 at the close of market on May 29, 2002 in our common shares and $100 invested at that same time in each of the indexes. The comparisons in this graph are provided in accordance with SEC disclosure requirements and are not intended to forecast or be indicative of the future performance of our common shares.



	Reverse Merger	4/30/03	4/30/04	4/30/05	4/30/06	4/30/07
WPCS International	$ 100.00	$ 46.00	$ 45.60	$ 16.50	$ 28.10	$ 44.83
NASDAQ Composite Index	$ 100.00	$ 86.74	$ 113.74	$ 113.83	$ 137.57	$ 149.57
NASDAQ Telecommunications Index	$ 100.00	$ 91.94	$ 124.49	$ 124.29	$ 157.46	$ 175.28

ITEM 6 - SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report. The statements of operations data for the fiscal years ended April 30, 2007, 2006 and 2005 and the balance sheet data at April 30, 2007 and 2006 are derived from our audited financial statements which are included elsewhere in this Annual Report. The statement of operations data for the years ended April 30, 2004 and 2003 and the balance sheet data at April 30, 2005, 2004 and 2003 are derived from our audited financial statements which are not included in this Annual Report. The historical results are not necessarily indicative of results to be expected for future periods.

	2007	2006	2005	2004	2003
REVENUE	$ 70,000,070	$ 52,144,575	$ 40,148,233	$ 22,076,246	$ 5,422,858
COSTS AND EXPENSES:					
Cost of revenue	47,781,351	38,010,945	32,445,470	17,286,099	3,768,495
Selling, general and administrative expenses	13,244,909	9,191,392	7,032,504	4,441,776	1,892,609
Depreciation and amortization	1,239,486	837,789	682,397	382,510	116,501
Total costs and expenses	62,265,746	48,040,126	40,160,371	22,110,385	5,777,605
OPERATING INCOME (LOSS)	7,734,324	4,104,449	(12,138)	(34,139)	(354,747)
OTHER EXPENSE (INCOME):					
Interest expense	496,330	256,022	31,865	14,048	6,997
Interest income	(525,524)	(121,720)	(10,817)	-	-
Minority interest	23,099	-	-	-	-
Loss (gain) on change in fair value of warrants	-	4,078,494	(1,414,263)	-	-
INCOME (LOSS) BEFORE INCOME TAX PROVISION	7,740,419	(108,347)	1,381,077	(48,187)	(361,744)
Income tax provision	3,146,818	1,515,773	52,096	76,000	19,550
NET INCOME (LOSS)	$ 4,593,601	($1,624,120)	$ 1,328,981	($124,187)	($381,294)
Basic net income (loss) per common share	$ 0.80	($0.40)	$ 0.50	($0.01)	($0.05)
Diluted net income (loss) per common share	$ 0.72	($0.40)	$ 0.49	($0.01)	($0.05)
BALANCE SHEET DATA:					
CASH AND CASH EQUIVALENTS	$ 21,558,739	$ 12,279,646	$ 989,252	$ 1,984,636	$ 167,547
TOTAL ASSETS	71,691,670	44,122,318	30,176,711	20,882,097	9,821,226
LONG-TERM DEBT	7,337,105	3,487,757	831,156	815,418	-
WORKING CAPITAL (Current Assets less Current Liabilities)	30,319,951	20,175,844	5,095,320	2,396,169	1,435,134
SHAREHOLDERS' EQUITY	$ 51,531,983	$ 32,563,270	12,628,407	$ 11,287,755	$ 7,460,887

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

Business Overview

The increasing demand for wireless services has become the 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. The use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. We provide design-build engineering services for specialty communication systems, which are dedicated wireless networks for specified applications and for wireless infrastructure, which encompasses cellular networks for wireless carriers. Our range of services includes site design, spectrum analysis, product integration, structured cabling, electrical work, trenching, construction, testing, project management and maintenance. 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 obtain the most appropriate solution for their communication needs on a cost effective basis. Our customers include corporations, government entities and educational institutions.

We operate in two segments that we define as specialty communication systems and wireless infrastructure services.

Specialty Communication Systems

We provide specialty communication systems which 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. The types of specialty communication systems that we implement are used for mobile communication and general wireless connectivity purposes. In mobile communication, the most popular applications include asset tracking, telematics and telemetry.

In general wireless connectivity, we design and deploy networks that allow entities to reduce their dependence on high cost leased land lines. 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 an in-depth knowledge of radio frequency 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. For the year ended April 30, 2007, specialty communication systems represented approximately 81% of our total revenue.

Wireless Infrastructure Services

We provide wireless infrastructure services to major wireless carriers, which are services that include the engineering, installation, integration and maintenance of wireless carrier equipment. Wireless carriers continue to be 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 installation of new equipment, technology upgrades, equipment modifications and reconfigurations. These services may also include tower construction.

Major wireless carriers have come to depend on our experience in providing engineering and support services that keep their networks technologically advanced and consistently operational. We have extensive experience in the installation, testing and commissioning of base station equipment. We provide complete services including testing, equipment modification, reconfiguration, structured cabling and relocating equipment at the cell site. In addition, WPCS also performs network modifications, antenna sectorization, electrical work and maintenance. For the year ended April 30, 2007, wireless infrastructure services represented approximately 19% 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 year ended April 30, 2007, the specialty communication systems segment represented approximately 81% of total revenue, and the wireless infrastructure services segment represented approximately 19% of total revenue, which remains consistent with our historical services revenue mix.

- As we continue to search for acquisitions, our primary goal is to identify companies which 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.

- In connection with the sale of our common stock and warrants to certain investors during the third quarter ended January 31, 2005, we granted certain registration rights that provided for liquidated damages in the event of failure to timely perform under the agreements. During the third quarter of fiscal 2006, we became aware that the SEC had recently announced its preferred interpretation of the accounting for common stock and warrants with registration rights under Emerging Issues Task Force (EITF) 00-19, “Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in the Company’s Own Stock,” and EITF 05-04, “The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF 00-19.” Although the EITF was still reviewing the guidance in EITF 05-04, the SEC concluded that under EITF 00-19, the common stock and warrants subject to registration rights where significant liquidated damages could be required to be paid to the holder of the instrument in the event the issuer fails to maintain the effectiveness of a registration statement for a preset time period does not meet the tests required for shareholders’ equity classification and accordingly, must be reflected as temporary equity in the balance sheet until the conditions are eliminated. Additionally, the fair value of warrants should be recorded as a liability, with an offsetting reduction to shareholders’ equity, adjusted to market value at the end of each period. In analyzing instruments under EITF 00-19, the SEC concluded that the likelihood or probability related to the failure to maintain an effective registration statement was not a factor at that time. During fiscal 2006, the warrant liability increased by $4,078,494, due to the increase in the market value of our common stock, resulting in a net non-cash loss on fair value of warrants for the fiscal year ended April 30, 2006. The non-cash loss on warrants had no effect on our cash flows or liquidity. On April 11, 2006, we entered into a waiver agreement with the institutional investors related to this private placement. Under the waiver, the parties agreed to modify the registration rights agreement associated with the common stock and warrants issued in November 2004 affected by EITF 00-19, thereby eliminating the penalty provisions that could have resulted from not maintaining an effective registration statement related to these common shares and shares underlying the warrants, and eliminating any similar non-cash charges in subsequent fiscal years.

Results of Operations for the Fiscal Year ended April 30, 2007 Compared to Fiscal Year Ended April 30, 2006

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), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), and its 60% interest in Taian AGS Pipeline Construction Co. Ltd (TAGS) from April 5, 2007 (date of acquisition), collectively the "Company". Consolidated results for the year ended April 30, 2007 and 2006 are as follows.

	Year Ended April 30,			
	2007		2006	
REVENUE	$ 70,000,070	100.0%	$ 52,144,575	100.0%
COSTS AND EXPENSES:				
Cost of revenue	47,781,351	68.3%	38,010,945	72.9%
Selling, general and administrative expenses	13,244,909	18.9%	9,191,392	17.6%
Depreciation and amortization	1,239,486	1.8%	837,789	1.6%
Total costs and expenses	62,265,746	89.0%	48,040,126	92.1%
OPERATING INCOME	7,734,324	11.0%	4,104,449	7.9%
OTHER EXPENSE (INCOME):				
Interest expense	496,330	0.7%	256,022	0.5%
Interest income	(525,524)	(0.8%)	(121,720)	(0.2%)
Minority interest	23,099	0.0%	-	0.0%
Loss on change in fair value of warrants	-	0.0%	4,078,494	7.8%
INCOME (LOSS) BEFORE INCOME TAX PROVISION	7,740,419	11.1%	(108,347)	(0.2%)
Income tax provision	3,146,818	4.5%	1,515,773	2.9%
NET INCOME (LOSS)	$ 4,593,601	6.6%	($1,624,120)	(3.1%)

Revenue

Revenue for the year ended April 30, 2007 was approximately $70,000,000, as compared to $52,145,000 for the year ended April 30, 2006. The increase in revenue for the year was primarily attributable to the acquisition of NECS on June 1, 2006, SECS on July 19, 2006, Voacolo on March 30, 2007, TAGS on April 5, 2007 and from organic growth. For the year ended April 30, 2007, we had two separate customers which comprised 18.1% and 11.7% of total revenue. For the year ended April 30, 2006, we had two separate customers which comprised 20.8% and 14.5% of total revenue.

Total revenue from the specialty communication segment for the years ended April 30, 2007 and 2006 was approximately $56,750,000 or 81.1% and $42,844,000 or 82.2% of total revenue, respectively. The increase in revenue was attributable to organic growth and the acquisition of NECS, Voacolo and TAGS. Wireless infrastructure segment revenue for the years ended April 30, 2007 and 2006 was approximately $13,250,000 or 18.9% and $9,300,000 or 17.8% of total revenue, respectively. The increase in revenue was attributable to the acquisition of SECS.

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 $47,781,000 or 68.3% of revenue for the year ended April 30, 2007, compared to $38,011,000 or 72.9% for the prior year. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2007 as a result of the acquisition of NECS, SECS, Voacolo, TAGS and from organic growth. The decrease in cost of revenue as a percentage of revenue is due primarily to the revenue mix attributable to revenue from Walker, Clayborn, Heinz, Quality and the acquisitions of NECS, SECS, Voacolo and TAGS.

The specialty communication segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2007 and 2006 was approximately $38,144,000 and 67.2% and $31,194,000 and 72.8%, respectively. As discussed above, the dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2006 as a result of the acquisitions of NECS, Voacolo and TAGS and from organic growth. The decrease in cost of revenue as a percentage of revenue is due primarily to the revenue mix attributable to revenue from Walker, Clayborn, Quality and the acquisitions of NECS, Voacolo and TAGS.

Wireless infrastructure segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2007 and 2006 was approximately $9,637,000 and 72.7% and $6,817,000 and 73.3%, respectively. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2007 as a result of the acquisition of SECS. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix attributable to Heinz and SECS.

Selling, General and Administrative Expenses

For the year ended April 30, 2007, total selling, general and administrative expenses were approximately $13,245,000, or 18.9% of total revenue compared to $9,191,000, or 17.6% of revenue for the prior year. Included in selling, general and administrative expenses for the year ended April 30, 2007 are $7,687,000 for salaries, commissions, payroll taxes and other employee benefits. The increase in salaries and payroll taxes compared to the prior year is due to the increase in headcount as a result of the acquisition of NECS, SECS, Voacolo and TAGS. Professional fees were $653,000, which include accounting, legal and investor relation fees. Insurance costs were $1,872,000 and rent for office facilities was $559,000. Automobile and other travel expenses were $959,000 and telecommunication expenses were $311,000. Other selling, general and administrative expenses totaled $1,204, 000. For the year ended April 30, 2007, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $9,247,000 and $2,400,000, respectively.

For the year ended April 30, 2006, total selling, general and administrative expenses were approximately $9,191,000, or 17.6% of total revenue. Included in selling, general and administrative expenses for the year ended April 30, 2006 are $5,251,000 for salaries, commissions, payroll taxes and other employee benefits. The increase in salaries and payroll taxes compared to the prior year is due to the increase in headcount as a result of the acquisition of Quality. Professional fees were $514,000, which include accounting, legal and investor relation fees. Insurance costs were $1,411,000 and rent for office facilities was $396,000. Automobile and other travel expenses were $713,000 and telecommunication expenses were $231,000. Other selling, general and administrative expenses totaled $675,000. For the year ended April 30, 2006, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $6,725,000 and $1,139,000, respectively.

Depreciation and Amortization

For the years ended April 30, 2007 and 2006, depreciation was approximately $776,000 and $544,000, respectively. The increase in depreciation is due to the purchase of property and equipment and the acquisition of fixed assets from acquiring NECS, SECS, Voacolo and TAGS. The amortization of customer lists and backlog for the year ended April 30, 2007 was $463,000 as compared to $294,000 for the same period of the prior year. The increase in amortization was due to the acquisition of customer lists from NECS, SECS and Voacolo and backlog from SECS and Voacolo. All customer lists are amortized over a period of five to eight years from the date of their acquisitions. Backlog is amortized over a period of one to three years from the date of acquisition based on the expected completion period of the related contracts.

Interest Expense and Interest Income

For the years ended April 30, 2007 and 2006, interest expense was approximately $496,000 and $256,000, respectively. The increase in interest expense is due principally from increased borrowings on the revolving line of credit and the amortization of debt issuance costs under the credit agreement entered into on June 3, 2005.

For the years ended April 30, 2007 and 2006, interest income was approximately $526,000 and $122,000, respectively. The increase in interest earned is due principally to the increase in our cash and cash equivalent balance in fiscal 2007 from cash provided by operations and the proceeds received from the issuance of common stock.

Net Income (Loss)

The net income was approximately $4,594,000 for the year ended April 30, 2007. Net income was net of federal and state income tax expense of approximately $3,147,000. The variation in effective tax rates between periods was primarily due to the nondeductible loss on fair value of warrants in fiscal 2006.

The net loss was approximately $1,624,000 for the year ended April 30, 2006. Net loss is net of federal and state income tax expense of approximately $1,516,000. The variation in effective tax rates between periods is primarily due to the Quality acquisition and the loss on fair value of warrants described above.

Results of Operations for the Fiscal Year ended April 30, 2006 Compared to Fiscal Year Ended April 30, 2005

Consolidated results for the year ended April 30, 2006 and 2005 are as follows. Certain reclassifications have been made to prior year financial statements to conform to the current presentation.

	Year Ended April 30,			
	2006		2005	
REVENUE	$ 52,144,575	100.0%	$ 40,148,233	100.0%
COSTS AND EXPENSES:				
Cost of revenue	38,010,945	72.9%	32,445,470	80.8%
Selling, general and administrative expenses	9,191,392	17.6%	7,032,504	17.5%
Depreciation and amortization	837,789	1.6%	682,397	1.7%
Total costs and expenses	48,040,126	92.1%	40,160,371	100.0%
OPERATING INCOME (LOSS)	4,104,449	7.9%	(12,138)	0.0%
OTHER EXPENSE (INCOME):				
Interest expense	256,022	0.5%	31,865	0.1%
Interest income	(121,720)	(0.2%)	(10,817)	0.0%
Loss (gain) on change in fair value of warrants	4,078,494	7.8%	(1,414,263)	(3.5%)
INCOME (LOSS) BEFORE INCOME TAX PROVISION	(108,347)	(0.2%)	1,381,077	3.4%
Income tax provision	1,515,773	2.9%	52,096	0.1%
NET INCOME (LOSS)	($1,624,120)	(3.1%)	$ 1,328,981	3.3%

Revenue

Revenue for the year ended April 30, 2006 was approximately $52,145,000, as compared to $40,148,000 for the year ended April 30, 2005. The increase in revenue for the year was primarily attributable to the acquisition of Quality on November 24, 2004 and from organic growth. For the year ended April 30, 2006, we had two separate customers which comprised 20.8% and 14.5% of total revenue. For the year ended April 30, 2005, we had one customer which comprised 15.5% of total revenue.

Total revenue from the specialty communication segment for the years ended April 30, 2006 and 2005 was approximately $42,844,000 or 82.2% and $31,497,000 or 78.5% of total revenue, respectively. Wireless infrastructure segment revenue for the years ended April 30, 2006 and 2005 was approximately $9,300,000 or 17.8% and $8,651,000 or 21.5% 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 $38,011,000 or 72.9% of revenue for the year ended April 30, 2006, compared to $32,445,000 or 80.8% for the prior year. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2006 as a result of the acquisition of Quality and from organic growth. The decrease in cost of revenue as a percentage of revenue is due primarily to the revenue mix attributable to revenue from Walker, Clayborn and Heinz and the acquisition Quality.

The specialty communication segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2006 and 2005 was approximately $31,194,000 and 72.8% and $25,919,000 and 82.3%, respectively. As discussed above, the dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2006 as a result of the acquisition of Quality. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix attributable to revenue from Walker and Clayborn and the Quality acquisition.

Wireless infrastructure segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2006 and 2005 was approximately $6,817,000 and 73.3% and $6,526,000 and 75.4%, respectively. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2006 as a result of organic growth in revenue from Heinz. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix attributable to Heinz.

Selling, General and Administrative Expenses

For the year ended April 30, 2006, total selling, general and administrative expenses were $9,191,000, or 17.6% of total revenue compared to $7,033,000 or 17.5% of revenue for the prior year. Included in selling, general and administrative expenses for the year ended April 30, 2006 are $5,062,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the prior year is due to the increase in headcount as a result of the acquisition of Quality. Professional fees were $514,000, which include accounting, legal and investor relation fees. Insurance costs were $1,411,000 and rent for office facilities was $396,000. Automobile and other travel expenses were $713,000 and telecommunication expenses were $231,000. Other selling, general and administrative expenses totaled $864,000. For the year ended April 30, 2006, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $6,725,000 and $1,139,000, respectively.

For the year ended April 30, 2005, selling, general and administrative expenses were $7,033,000 or 17.5% of revenue. Included in the selling, general and administrative expenses was $3,656,000 for salaries, commissions and payroll taxes, $537,000 in professional fees and insurance costs of $1,164,000. Rent for our office facilities amounted to $358,000. Automobile and other travel expenses were $422,000 and telecommunication expenses were $196,000. Other selling, general and administrative expenses totaled $700,000. For the year ended April 30, 2005, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $4,658,000 and $1,180,000, respectively.

Depreciation and Amortization

For the years ended April 30, 2006 and 2005, depreciation was approximately $544,000 and $372,000, respectively. The increase in depreciation is due to the purchase of property and equipment and the acquisition of fixed assets from acquiring Quality. The amortization of customer lists for the year ended April 30, 2006 was $294,000 as compared to $310,000 for the same period of the prior year. The decrease in amortization is due to the amortization of backlog for Heinz in the prior year, partially offset by an increase in amortization from 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. Backlog is amortized over a period of one year from the date of acquisition.

Interest Expense and Interest Income

For the years ended April 30, 2006 and 2005, interest expense was approximately $256,000 and $32,000, respectively. The increase in interest expense is due principally from borrowings on the revolving line of credit and the amortization of debt issuance costs under the credit agreement entered into on June 3, 2005.

For the years ended April 30, 2006 and 2005, interest income was approximately $122,000 and $11,000, respectively. The increase in interest earned is due principally to the increase in our cash and cash equivalent balance in fiscal 2006 from the proceeds received from the exercise of warrants and issuance of common stock.

Loss (Gain) on Fair Value of Warrants

Loss on fair value of warrants for the year ended April 30, 2006 was approximately $4,078,000. The loss in fiscal 2006 was due principally to the increase in the market value of our common stock in fiscal 2006. The loss represents the unrealized non-cash change in the fair value of certain warrants for the year, using the Black-Scholes option pricing model. For the year ended April 30, 2005, the gain on fair value of warrants was approximately $1,414,000, due principally to the decrease in the market value of our common stock. The non-cash loss or gain on fair value of warrants has no impact on our cash flows or liquidity.

Net Income (Loss)

As a result of the above, the net loss was approximately $1,624,000 for the year ended April 30, 2006. Net loss is net of federal and state income tax expense of approximately $1,516,000. The variation in effective tax rates between periods is primarily due to the Quality acquisition and change in fair value of warrants described above.

We recognized net income of approximately $1,329,000 for the year ended April 30, 2005. Income tax of approximately $52,000 was expensed for federal and state income taxes.

Liquidity and Capital Resources

At April 30, 2007, we had working capital of approximately $30,320,000, which consisted of current assets of approximately $43,665,000 and current liabilities of $13,345,000.

Operating activities provided approximately $6,169,000 in cash for the year ended April 30, 2007. The sources of cash from operating activities total approximately $9,115,000, comprised of $4,594,000 net income, $1,294,000 in net non-cash charges, a $2,320,000 decrease in accounts receivable, $319,000 decrease in inventory and prepaid expenses, a $329,000 increase in billings in excess of costs and estimated earnings on uncompleted contracts payable, $222,000 increase in deferred revenue and a $37,000 increase in income taxes payable. The uses of cash from operating activities total approximately $2,946,000, comprised of a $421,000 increase in costs and estimated earnings in excess of billings on uncompleted contracts, a $180,000 increase in other assets, and a $2,345,000 decrease in accounts payable and accrued expenses.

Our investing activities utilized approximately $8,632,000 in cash during the year ended April 30, 2007, which consisted of $673,000 paid for property and equipment, and $7,959,000 paid for the acquisitions of NECS, SECS, Voacolo, and TAGS, net of cash acquired of $1,055,000.

Our financing activities provided cash of approximately $11,743,000 during the year ended April 30, 2007. Financing activities include the net proceeds from the exercise of warrants of $198,000, net proceeds from the issuance of common stock of $9,338,000, net proceeds from the exercise of stock options of $1,226,000, borrowings under lines of credit of $1,454,000 and a $258,000 tax benefit from the exercise of stock options, offset by equity issuance costs of $51,000, debt issuance costs of $10,000, net repayments of equipment loans and capital lease obligations of approximately $481,000, and $189,000 to pay amounts due to shareholders.

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 April 10, 2007, we entered into a loan agreement with Bank of America, N.A. (BOA). The loan agreement (the Loan Agreement), provides for a revolving line of credit in an amount not to exceed $12,000,000, together with a letter of credit facility not to exceed $2,000,000. We and our subsidiaries also entered into security agreements with BOA, pursuant to which we granted a security interest to BOA in all of our assets. The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth, and (ii) minimum interest coverage ratio. The loan commitment shall expire on April 10, 2010, and we may prepay the loan at any time. Loans under the Loan Agreement bear interest at a rate equal to BOA's prime rate, minus one percentage point, or we have the option to elect to use the optional interest rate of LIBOR plus one hundred seventy-five basic points (5.32% LIBOR rate plus one and three quarters percent as of April 30, 2007). We used the initial funds provided by the loan, in the gross amount of $4,454,217 to repay the existing credit agreement with Bank Leumi USA, which credit agreement was terminated in connection with the Loan Agreement.

At April 30, 2007, we had cash and cash equivalents of approximately $21,559,000 and working capital of approximately $30,320,000. 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 through April 30, 2008. 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.

Effective June 1, 2006, we acquired NECS, a Connecticut corporation. The aggregate consideration paid the NECS selling shareholders, including acquisition transaction costs of $69,775, was $4,737,017, of which $4,333,987 was paid at closing. Additional purchase price adjustments of $189,077 were paid in October 2006 to settle working capital adjustments. In March 2007, aggregate additional consideration of $144,178 was paid to the NECS selling shareholders based on the earn out settlement for the calendar year ending December 31, 2006. In connection with the acquisition, NECS entered into employment agreements with two of the shareholders, each for a period of two years and a consulting agreement with one of the shareholders for a period of seven years. A formal purchase price allocation has been completed and the amounts assignable to tangible assets, other intangible assets and goodwill have been determined.

The acquisition of NECS provides us with additional project engineering expertise for specialty communication systems, broadens our customer base especially in the public safety and gaming markets, including the Massachusetts State Police, University of Connecticut and Foxwoods Resort Casino, and expands our geographic presence in New England.

Effective July 19, 2006, we acquired SECS of Sarasota, Florida. The aggregate consideration we paid to the SECS selling shareholders, including acquisition transaction costs of $21,833, was $3,482,346, of which $1,620,000 was paid at closing, and we issued 200,288 shares of common stock valued at approximately $1,400,000. Additional purchase price adjustments of $440,513 were paid in November 2006, to settle working capital adjustments. We filed a registration statement with the SEC on August 14, 2006 to register the shares of common stock issued to the former SECS shareholders, which was declared effective by the SEC on August 24, 2006. In connection with the acquisition, SECS entered into employment agreements and a consulting agreement with certain officers or former officers of SECS. A formal purchase price allocation has been completed and the amounts assignable to tangible assets, other intangible assets and goodwill have been determined.

The acquisition of SECS provides us with additional project engineering expertise for wireless infrastructure services, broadens our customer base of corporate, government and educational clients, including the National Oceanic and Atmospheric Administration (NOAA), Verizon, BellSouth, Comcast, Time Warner, University of Florida and Puerto Rico Telephone, and expands our geographic presence in the Southeastern United States.

Effective March 30, 2007, we acquired Voacolo. The aggregate consideration we paid to the Voacolo selling shareholders, including acquisition transaction costs of $24,288, was $2,461,788 of which $1,187,500 was paid at closing, and we issued 113,534 shares of common stock valued at approximately $1,250,000. The purchase price is subject to adjustment for any excess or shortfall between the net tangible asset value of Voacolo as of the closing date and $1,200,000. In addition, we agreed to pay an additional $2,500,000 in cash or Company common stock if Voacolo's earnings before interest and taxes for the period ending twelve months from March 30, 2007 shall equal or exceed $1,100,000. In connection with the acquisition, Voacolo entered into employment agreements with the former Voacolo shareholders, each for a period of two years.

Voacolo is an electrical contractor in the Mid-Atlantic area that specializes in both high and low voltage applications structured cabling and voice/data/video solutions, as well as beginning to expand its operations particularly in wireless video surveillance. The company is headquartered in Trenton, New Jersey and has completed many major projects for commercial and government entities.

Effective April 5, 2007, we acquired a 60% working interest (the Equity Interest) and a 60% profit interest (the Profit Interest and together with the Equity Interest, the Interest) in TAGS, a joint venture enterprise in the City of Taian, Shandong province, the People's Republic of China from American Gas Services, Inc. (AGS) and American Gas Services, Inc. Consultants (AGS Consultants), respectively. The purchase price for the Interest was $800,000 in cash and 61,277 shares of common stock of the Company having a value of $720,000. The purchase price is subject to adjustment in an amount equal to 60% of any shortfall between the net tangible asset value of TAGS as of the closing date and $3,300,000.

Founded in 1997 and headquartered in the Province of Shandong, TAGS is a communications infrastructure engineering company serving the China market. TAGS is certified by the People's Republic of China as both a Construction Enterprise of Reform Development company and a Technically Advanced Construction Enterprise company for the Province of Shandong, which are two of the highest certifications achievable for engineering and construction based businesses in China. TAGS is also licensed in 17 other provinces and has completed projects for a diverse customer base of businesses and government institutions in over 30 cities in China.

We recently announced the signing of letters of intent to acquire two companies. These transactions are expected to close by August 1, 2007, subject to completion of due diligence and the execution of definitive agreements.

We intend to acquire 100% of Major Electric, Inc (Major) for $4 million in cash and stock at closing with additional purchase price to be paid upon the achievement of a certain earnings target for the twelve months ending December 31, 2007. Founded in 1994, Major is headquartered in the Seattle area and is a wireless and electric contractor specializing in direct digital controls, security, wireless supervisory control and data acquisition (SCADA) applications and wireless infrastructure services. Major has completed major projects for many commercial entities.

We intend to acquire 100% of Max Engineering LLC (Max) for $800,000 in cash and stock at closing with additional purchase price to be paid upon the achievement of a specific two-year earnings goal. Founded in 2000, Max is an engineering firm headquartered in Houston, Texas, specializing in the design of specialty communication systems and wireless infrastructure for telecommunications, oil, gas and wind energy.

Backlog

As of April 30, 2007, we had a backlog of unfilled orders of approximately $34.9 million compared to approximately $15.9 million at April 30, 2006. 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 revenue recognition based on the estimation of percentage of completion on uncompleted contracts, valuation of inventory, allowance for doubtful accounts, estimated life of customer lists and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. 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. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts.

Goodwill and Other Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets. We assess the impairment of goodwill annually 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 2007 and 2006 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, Clayborn and Quality within our specialty communications segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

Deferred Income Taxes

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

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

Revenue Recognition

We generate our revenue by providing engineering and deployment services for wireless infrastructure services and specialty communication systems. We provide a range of services including site design, spectrum analysis, product integration, structured cabling, electrical work, trenching, construction, testing, project management and maintenance. Our engineering and deployment services report revenue pursuant to customer contracts that span varying periods of time. We report revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

We record revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contracts. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

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 currently for the total loss anticipated.

We also recognize certain revenue from short-term contracts when equipment is delivered or the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Recently Issued Accounting Pronouncements

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, we are required to expense the fair value of employee stock options effective May 1, 2006. The revised standard requires us to expense the fair value of employee stock options and other share-based payments over the service period.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FAS No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes is subject to significant and varied interpretations that have resulted in diverse and inconsistent accounting practices and measurements. Addressing such diversity, FIN 48 prescribes a consistent recognition threshold and measurement attribute, as well as clear criteria for subsequently recognizing, derecognizing and measuring changes in such tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have not yet determined the impact of FIN 48 on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

On September 15, 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. We are currently evaluating the potential impact, if any, of the adoption of SFAS 157 on our consolidated financial position, results of operations and cash flows or financial statement disclosures.

In September 2006, the SEC issued SAB No. 108 *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*(SAB 108), which is effective for fiscal years beginning after November 15, 2006 provides interpretive guidance on how registrants should quantify financial statement misstatements. Under SAB 108 registrants are required to consider both a “rollover” method, which focuses primarily on the income statement impact of misstatements, and the “iron curtain” method, which focuses primarily on the balance sheet impact of misstatements. The effects of prior year uncorrected errors include the potential accumulation of improper amounts that may result in a material misstatement on the balance sheet or the reversal of prior period errors in the current period that result in a material misstatement of the current period income statement amounts. Adjustments to current or prior period financial statements would be required in the event that after application of various approaches for assessing materiality of a misstatement in current period financial statements and consideration of all relevant quantitative factors, a misstatement is determined to be material. We are currently evaluating the potential impact, if any, of the adoption of SAB 108 on our consolidated financial position, results of operations and cash flows or financial statement disclosures.

In February, 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We have not yet determined the impact SFAS 159 may have on our results of operations or financial position.

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

Contractual Obligations and Commitments

The following is a summary of our significant contractual cash obligations for the periods indicated that existed as of April 30, 2007, and is based on information appearing in the notes to consolidated financial statements included elsewhere in this filing.

	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
Borrowings under line of credit	$ 4,454,217	$ -	$ -	$ 4,454,217	$ -
Loans payable	2,882,888	2,598,872	227,381	47,115	9,520
Operating leases	2,242,566	759,245	837,736	544,870	100,715
Employment agreements	5,494,583	2,612,800	2,881,783	-	-
Total obligations	$ 15,074,254	$ 5,970,917	$ 3,946,900	$ 5,046,202	$ 110,235

ITEM 7A - QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest rate risk represents the potential loss from adverse changes in market interest rates. We are subject to interest rate risk with respect to amounts borrowed under our credit facility because such amounts bear interest at a variable rate. The interest rate is equal to the BOA's prime rate minus one percent, or LIBOR plus one and three-quarters (1.75%) percent, as we may request (5.32% LIBOR rate plus one and three-quarters percent as of April 30, 2007). At April 30, 2007, we had approximately $4,454,000 of indebtedness outstanding under our revolving credit facility. A 1.0% increase in interest rates on un-hedged variable rate borrowings of $4.4 million at April 30, 2007 would result in additional interest expense of approximately $44,000 for twelve months ended April 30, 2007.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
WPCS International Incorporated and Subsidiaries

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended April 30, 2007. Our audits also included the consolidated financial statement schedule for the years ended April 30, 2007, 2006 and 2005 listed in the Index at Item 15(schedule II). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight 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. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2007 and 2006, and their consolidated results of operations and cash flows for each of the three years in the period ended April 30, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule for the years ended April 30, 2007, 2006 and 2005, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, WPCS International Incorporated and Subsidiaries adopted Statement of Financial Accounts Standards No. 123(R), "Share-Based Payment" effective May 1, 2006.

/ s / J.H. COHN LLP

J.H. COHN LLP
Roseland , New Jersey
July 24, 2007

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS		April 30, 2007		April 30, 2006
CURRENT ASSETS:				
Cash and cash equivalents	$	21,558,739	$	12,279,646
Accounts receivable, net of allowance of $98,786 and $104,786 at April 30, 2007 and 2006, respectively		16,560,636		12,141,789
Costs and estimated earnings in excess of billings on uncompleted contracts		2,499,940		1,441,977
Inventory		2,260,082		1,204,540
Prepaid expenses and other current assets		732,043		286,625
Deferred tax assets		54,000		78,000
Total current assets		43,665,440		27,432,577
PROPERTY AND EQUIPMENT, net		5,488,920		1,352,216
OTHER INTANGIBLE ASSETS, net		1,683,349		864,388
GOODWILL		20,469,608		14,239,918
DEBT ISSUANCE COSTS, net		10,000		111,091
DEFERRED TAX ASSETS		111,000		51,000
OTHER ASSETS		263,353		71,128
Total assets	$	71,691,670	$	44,122,318

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	**April 30, 2007**	**April 30, 2006**
CURRENT LIABILITIES:		
Current portion of loans payable	$ 2,598,872	$ 231,065
Accounts payable and accrued expenses	6,802,110	4,989,861
Billings in excess of costs and estimated earnings on uncompleted contracts	2,272,688	1,085,312
Deferred revenue	504,458	128,052
Due to shareholders	707,000	381,377
Income taxes payable	433,361	420,066
Deferred tax liabilities	27,000	21,000
Total current liabilities	13,345,489	7,256,733
Borrowings under line of credit	4,454,217	3,000,000
Loans payable, net of current portion	284,016	256,692
Due to shareholders, net of current portion	-	514,623
Deferred tax liabilities	722,000	531,000
Total liabilities	18,805,722	11,559,048
Minority interest in subsidiary	1,353,965	-
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, 6,971,698 and 5,264,284 shares issued and outstanding at April 30, 2007 and 2006, respectively	696	526
Additional paid-in capital	47,901,160	33,525,130
Retained earnings (accumulated deficit)	3,631,215	(962,386)
Accumulated other comprehensive loss on translation of currency exchange	(1,088)	-
Total shareholders' equity	51,531,983	32,563,270
Total liabilities and shareholders' equity	$ 71,691,670	$ 44,122,318

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, 2007	2006	2005
REVENUE	$ 70,000,070	$ 52,144,575	$ 40,148,233
COSTS AND EXPENSES:			
Cost of revenue	47,781,351	38,010,945	32,445,470
Selling, general and administrative expenses	13,244,909	9,191,392	7,032,504
Depreciation and amortization	1,239,486	837,789	682,397
Total costs and expenses	62,265,746	48,040,126	40,160,371
OPERATING INCOME (LOSS)	7,734,324	4,104,449	(12,138)
OTHER EXPENSE (INCOME):			
Interest expense	496,330	256,022	31,865
Interest income	(525,524)	(121,720)	(10,817)
Minority interest	23,099	-	-
Loss (gain) on change in fair value of warrants	-	4,078,494	(1,414,263)
INCOME (LOSS) BEFORE INCOME TAX PROVISION	7,740,419	(108,347)	1,381,077
Income tax provision	3,146,818	1,515,773	52,096
NET INCOME (LOSS)	$ 4,593,601	($1,624,120)	$ 1,328,981
Basic net income (loss) per common share	$ 0.80	($0.40)	$ 0.50
Diluted net income (loss) per common share	$ 0.72	($0.40)	$ 0.49
Basic weighted average number of common shares outstanding	5,772,423	4,057,940	2,679,529
Diluted weighted average number of common shares outstanding	6,409,333	4,057,940	2,729,866

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 Capital	Unearned Consulting Services	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE, MAY 1, 2004	-	$ -	1,737,498	$ 174	$ 11,993,387	$ (38,559)	($667,247)	$ 11,287,755
Common stock issuance costs	-	-	-	-	(26,888)	-	-	(26,888)
Amortization of unearned consulting services	-	-	-	-	-	38,559	-	38,559
Net income	-	-	-	-	-	-	1,328,981	1,328,981
BALANCE, APRIL 30, 2005	-	-	1,737,498	174	11,966,499	-	661,734	12,628,407

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	(Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit)	Equity
Reclassification of proceeds from sales of common stock with registration rights to additional paid-in capital	-	-	2,083,887	208	5,731,908	-	5,732,116
Net proceeds from exercise of warrants	-	-	554,717	55	4,167,092	-	4,167,147
Reclassification of fair value of warrant liability to additional paid-in capital from exercise of warrants	-	-	-	-	2,849,302	-	2,849,302
Reclassification of fair value of warrant liability to additional paid-in capital from the termination of liquidated damages provision under registration rights agreement	-	-	-	-	3,223,760	-	3,223,760
Net proceeds from issuance of common stock	-	-	876,931	88	5,528,078	-	5,528,166
Net proceeds from exercise of stock options	-	-	11,251	1	58,491	-	58,492
Net loss	-	-	-	-	-	(1,624,120)	(1,624,120)
BALANCE, APRIL 30, 2006	-	-	5,264,284	526	33,525,130	(962,386)	32,563,270

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	Retained	Accumulated Other Compre-hensive	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Equity
Net issuance of common stock, acquisition of Southeastern Communication Service, Inc.	-	-	200,288	20	1,349,631	-	-	1,349,651
Net issuance of common stock, acquisition of Voacolo Eletric Inc			113,534	11	1,249,869	-	-	1,249,880
Net issuance of common stock, acquisition of TAGS			61,277	6	719,864	-	-	719,870
Net issuance of common stock	-	-	1,109,023	111	9,337,780	-	-	9,337,891
Net proceeds from exercise of warrants	-	-	30,281	3	197,873	-	-	197,876
Fair value of stock options granted to employees	-	-	-	-	37,526	-	-	37,526
Net proceeds from exercise of stock options	-	-	193,011	19	1,225,487	-	-	1,225,506
Excess tax benefit from exercise of stock options	-	-	-	-	258,000	-	-	258,000
Accumulated other comprehensive loss	-	-	-	-	-	-	($1,088)	(1,088)
Net income	-	-	-	-	-	$ 4,593,601	-	4,593,601
BALANCE, APRIL 30, 2007	-	$ -	6,971,698	$ 696	$ 47,901,160	$ 3,631,215	($1,088)	$ 51,531,983

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, 2007	2006	2005
OPERATING ACTIVITIES:			
Net income (loss)	$ 4,593,601	$ (1,624,120)	$ 1,328,981
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,239,486	837,789	682,397
Fair value of stock options granted to employees	37,526	-	-
Change in fair value of warrant liability	-	4,078,494	(1,414,263)
(Recovery of) provision for doubtful accounts	(6,000)	29,000	14,007
Amortization of debt issuance costs	111,091	47,696	-
Amortization of unearned consulting services	-	-	38,559
Fair value of stock options granted	-	-	
Excess tax benefit from exercise of stock options	(258,000)	-	-
Minority interest	23,099	-	-
Gain on sale of fixed assets	(13,675)	-	-
Deferred income taxes	161,000	(43,000)	(134,000)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	2,320,439	(2,265,623)	(1,898,625)
Costs and estimated earnings in excess of billings on uncompleted contracts	(421,204)	(533,022)	1,214,076
Inventory	229,358	(318,916)	(536,772)
Prepaid expenses and other current assets	89,273	249,706	(14,306)
Other assets	(180,187)	37,001	(148,596)
Accounts payable and accrued expenses	(2,345,468)	(376,943)	(337,355)
Billings in excess of costs and estimated earnings on uncompleted contracts	329,544	8,873	(1,146,930)
Deferred revenue	222,092	-	-
Income taxes payable	37,244	381,758	(328,751)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	6,169,219	508,693	(2,681,578)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

INVESTING ACTIVITIES:			
Acquisition of property and equipment, net	(673,237)	(234,792)	(215,844)
Acquisition of Quality, net of cash received	-	-	(6,708,904)
Acquisition of Heinz, net of cash received	-	-	(82,283)
Acquisition transaction costs	-	(4,304)	(17,553)
Acquisition of NECS, net of cash received	(4,607,268)	-	-
Acquisition of SECS, net of cash received	(1,882,321)	-	-
Acquisition of Voacolo, net of cash received	(627,694)	-	-
Acquisition of TAGS, net of cash received	(841,252)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(8,631,772)	(239,096)	(7,024,584)
FINANCING ACTIVITIES:			
Net proceeds from exercise of warrants	197,876	4,167,147	-
Net proceeds from issuance of common stock	9,337,891	5,528,166	-
Net proceeds from exercise of stock options	1,225,506	58,492	-
Net proceeds from issuance of common stock with continuing registration rights	-	-	9,140,949
Excess tax benefit from exercise of stock options	258,000	-	-
Equity issuance costs	(50,613)	-	(26,888)
Debt issuance costs	(10,000)	(158,787)	-
Borrowings (repayments) under lines of credit, net	1,454,217	2,617,719	(303,848)
Repayments of loans payable	(456,405)	(227,952)	(96,901)
Payments of amounts due to shareholders	(189,000)	(961,915)	-
Payments of capital lease obligations	(24,738)	(2,073)	(2,534)
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,742,734	11,020,797	8,710,778
Effect of exchange rate changes on cash	(1,088)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,279,093	11,290,394	(995,384)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,279,646	989,252	1,984,636
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 21,558,739	$ 12,279,646	$ 989,252

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, 2007	2006	2005
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 433,742	$ 189,435	$ 32,196
Income taxes	$ 2,897,944	$ 1,187,556	$ 434,289
SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock for net non-cash assets received in acquisition	$ 3,370,011	$ -	$ -
Unpaid purchase price adjustments related to acquisition	$ -	$ -	$ 742,295
Reversal of accruals established in purchase accounting	$ -	$ 2,150	$ 40,022
Issuance of notes for property and equipment	$ 74,382	$ 266,834	$ 192,210
Reclassification of proceeds from sales of common stock with registration rights, to additional paid-in capital	$ -	$ 5,732,116	$ -
Reclassification of fair value of warrant liability to additional paid-in capital from the exercise of warrants	$ -	$ 2,849,302	$ -
Reclassification of fair value of warrant liability to additional paid-in capital from the termination of liquidated damages provision under registration rights agreement	$ -	$ 3,223,760	$ -

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), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), and its 60% interest in Taian AGS Pipeline Construction Co., Ltd. (TAGS) from April 5, 2007 (date of acquisition), collectively the "Company".

The Company provides 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. The Company provides a range of services including site design, spectrum analysis, engineering, trenching, electrical work, structured cabling, product integration, testing and project management.

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 20,849,976 shares to 1,737,498 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.

Effective June 1, 2006, the Company acquired all of the issued and outstanding common stock of NECS. The aggregate consideration paid by the Company to the NECS selling shareholders, including acquisition transaction costs of $69,775, was $4,737,017, of which $4,333,987 was paid at closing. Additional purchase price adjustments of $189,077 were paid in October 2006 to settle working capital adjustments. In March 2007, aggregate additional consideration of $144,178 was paid to the NECS selling shareholders based on the earn out settlement for the calendar year ending December 31, 2006. In connection with the acquisition, NECS entered into employment agreements with two of the shareholders, each for a period of two years and a consulting agreement with one of the shareholders for a period of seven years.

Effective July 19, 2006, the Company acquired all of the issued and outstanding common stock of SECS. The aggregate consideration paid by the Company to the SECS selling shareholders, including acquisition transaction costs of $21,833, was $3,482,346, of which $1,620,000 was paid at closing, and the Company issued 200,288 shares of common stock valued at approximately $1,400,000. Additional purchase price adjustments of $440,513 were paid in November 2006, to settle working capital adjustments. The Company filed a registration statement with the SEC on August 14, 2006 to register the shares of common stock issued to the former SECS shareholders, which was declared effective by the SEC on August 24, 2006. In connection with the acquisition, SECS entered into employment agreements and a consulting agreement with certain officers or former officers of SECS.

Effective March 30, 2007, the Company acquired Voacolo. The aggregate consideration paid by the Company to the Voacolo selling shareholders, including acquisition transaction costs of $24,288, was $2,461,788 of which $1,187,500 was paid at closing, and the Company issued 113,534 shares of common stock valued at approximately $1,250,000. The purchase price is subject to adjustment for any excess or shortfall between the net tangible asset value of Voacolo as of the closing date and $1,200,000. In addition, the Company shall pay an additional $2,500,000 in cash or Company common stock if Voacolo’s earnings before interest and taxes for the period ending twelve months from March 30, 2007 shall equal or exceed $1,100,000. Voacolo was acquired pursuant to a Stock Purchase Agreement among WPCS International Incorporated, and the former Voacolo shareholders, dated and effective as of March 30, 2007. In connection with the acquisition, Voacolo entered into employment agreements with the former Voacolo shareholders, each for a period of two years.

Effective April 5, 2007, the Company acquired a 60% working interest (the Equity Interest) and a 60% profit interest (the Profit Interest and together with the Equity Interest, the Interest) in TAGS from American Gas Services, Inc. (AGS) and American Gas Services, Inc. Consultants (AGS Consultants), respectively The aggregate consideration paid by the Company to AGS and AGS Consultants, including acquisition transaction costs of $182,815, was $1,702,816 of which $800,000 was paid at closing, and the Company issued 61,277 shares of common stock valued at approximately $720,000. The purchase price is subject to adjustment in an amount equal to 60% of any shortfall between the net tangible asset value of TAGS as of the closing date and $3,300,000. The Interest was acquired pursuant to a Interest Purchase Agreement among WPCS International Incorporated, AGS and AGS Consultants, dated and effective as of April 5, 2007.

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 cash equivalents 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 payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $750,249 and $895,368 at April 30, 2007 and 2006, respectively, which is expected to be collected within one year.

Inventory

Inventory consists of materials, parts and supplies principally valued at the lower of cost using the first-in-first-out (FIFO) method, or market.

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 and Other Intangible Assets

In accordance with Statement of Financial Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” goodwill and indefinite-lived intangible assets are no longer amortized but are assessed for impairment on at least an annual basis. SFAS No. 142 also requires that intangible assets with 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 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 is 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 of goodwill over its implied value.

The Company determines the fair value of the businesses acquired (reporting units) 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 at April 30, 2007 and 2006. Accordingly, step two was unnecessary and no impairment charge was recognized in the consolidated statement of operations for the years ended April 30, 2007, 2006 and 2005. On an ongoing basis, the Company expects to perform its annual impairment test at April 30 absent any interim impairment indicators.

Goodwill through the years ended April 30, 2007 and 2006 consisted of the following:

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 adjustment		226,798
Ending balance, April 30, 2006		14,239,918
Additional transaction costs for prior acquisitions		13,781
NECS acquisition		3,380,111
SECS acquisition		1,823,205
Voacolo acqusition		1,012,593
Ending balance, April 30, 2007	$	20,469,608

Other intangible assets consist of the following at April 30:

	Estimated useful life (years)		2007		2006
Customer lists	5 - 8	$	2,607,000	$	1,585,000
Contract backlog	1-3		325,200		65,000
			2,932,200		1,650,000
Less accumulated amortization expense			1,248,851		785,612
		$	1,683,349	$	864,388

Amortization expense for other intangible assts for the years ended April 30, 2007, 2006 and 2005 was approximately $463,000, $294,000 and $310,000 respectively.

There are no expected residual values related to these intangible assets. Estimate future amortization expense by fiscal year is as follows:

Year ending April 30,		
2008	$	472,599
2009		352,665
2010		301,831
2011		195,353
2012		138,965
Thereafter		221,936
Total	$	1,683,349

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 services including site design, spectrum analysis, product integration, structured cabling, electrical work, trenching, construction, testing, project management and maintenance. The Company's engineering and deployment services report revenue pursuant to customer contracts that span varying periods of time. The Company reports revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

The Company records revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

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.

The Company also recognizes certain revenue from short-term contracts when equipment is delivered or the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Other Concentrations

For the year ended April 30, 2007, the Company had two separate customers totaling approximately $12.7 million and $8.2 million, which comprised 18.1% and 11.7% of total revenue. For the year ended April 30, 2006, the Company had revenue from two separate customers totaling approximately $10.8 million and $7.6 million, which comprised 20.8% and 14.5% of total revenue, respectively. For the fiscal year ended April 30, 2005, the Company had revenue from one customer totaling $6.2 million, 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 these customers and their financial strength.

The Company has approximately 106 union employees. A contract with 15 union employees expires on May 31, 2007. A new contract with this union has been negotiated and is in the process of completion. A contract with six union employees expired on September 30, 2007. A contract with 85 union employees expires on November 30, 2008. At April 30, 2007, 29% of the Company's labor force is subject to collective bargaining agreements, of which 6% will expire within one year.

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 common 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 and warrants.

At April 30, 2007, the Company had 560,834 stock options and 1,883,796 warrants outstanding which are potentially dilutive securities. For the year ended April 30, 2007, 91,791 options were not included in the computation of fully diluted earnings per common share, because the stock option exercise price exceeded the market price of common stock and, therefore, the effects would be antidilutive. The assumed conversion of the remaining 469,043 stock options and 1,883,796 warrants resulted in a 636,910 share increase in weighted average shares for fully diluted earnings per common share.

At April 30, 2006, 786,432 stock options and 2,017,453 warrants were not included in the computation of fully diluted earnings per share because the Company had a net loss and, therefore, the effects would be antidilutive.

At April 30, 2005, 188,340 stock options and 2,572,171 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 266,556 stock options resulted in a 50,337 share increase in weighted average shares for fully diluted earnings per share in fiscal 2005.

Stock-Based Compensation Plans

Prior to May 1, 2006, the Company accounted for stock-based employee compensation under the recognition provisions of Accounting Principles Board Opinion No. 25 (“APB 25”), *Accounting for Stock Issued to Employees* and related interpretations.

Effective May 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123(R) (revised December 2004), *Share-Based Payment*, an amendment of SFAS 123, *Accounting for Stock-Based Compensation*, for stock-based employee compensation, using the modified prospective transition method. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107), to provide guidance regarding the adoption of SFAS 123(R), and then amended the compliance date for SFAS 123R to begin with the first fiscal year beginning on or after December 15, 2005. Under SFAS 123(R), the Company is required to recognize compensation cost for share-based compensation issued to employees, net of estimated forfeitures, under share-based compensation plans using a fair value method. Using the modified prospective transition method, compensation expense recognized for the year ended April 30, 2007 includes (a) compensation cost for all share-based payments granted subsequent to May 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R) and (b) compensation cost for all share-based payments granted prior to, but not yet vested as of, May 1, 2006, based on the intrinsic value method. Results for prior periods have not been restated.

As a result of adopting SFAS 123(R) on May 1, 2006, the Company’s income before income taxes and net income for the year ended April 30, 2007 were each approximately $38,000 lower than if it had continued to account for share-based compensation under APB 25. At April 30, 2007, the total compensation cost related to unvested stock options granted to employees under the Company’s stock option plans but not yet recognized was approximately $61,000 and is expected to be recognized over a weighted-average period of 0.98 years. For the year ended April 30, 2007 and 2006, the weighted average fair value of stock options granted was $3.86 and $2.15, respectively.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures. The following assumptions were used to compute the fair value of stock options granted during the year ended April 30, 2007:

Risk-free interest rate	4.73% to 4.96%
Expected volatility	61.0% to 62.4%
Expected dividend yield	0.0%
Expected term (in years)	3.5

The risk-free rate is based on the rate of U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the option grants. Expected volatility is based on the historical volatility of the Company's common stock using the weekly closing price of the Company's common stock, pursuant to SAB 107. The expected dividend yield is zero based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was calculated using the simplified method pursuant to SAB 107.

Prior to May 1, 2006, the Company applied 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 and net income per share would have been as follows:

	2006	2005
Net income (loss), as reported	($1,624,120)	$ 1,328,981
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(453,092)	(452,820)
Pro forma net income (loss)	($2,077,212)	$ 876,161
Basic net income (loss) per share		
As reported	($0.40)	$0.50
Pro forma	($0.51)	$0.33
Diluted net income (loss) per share		
As reported	($0.40)	$0.49
Pro forma	($0.51)	$0.32

The Company has elected to adopt the shortcut method provided in Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards," for determining the initial pool of excess tax benefits available to absorb tax deficiencies related to stock-based compensation subsequent to the adoption of SFAS No. 123R. The shortcut method includes simplified procedures for establishing the beginning balance of the pool of excess tax benefits (the APIC Tax Pool) and for determining the subsequent effect on the APIC Tax Pool and the Company's Consolidated Statements of Cash Flows of the tax effects of share-based compensation awards. SFAS No. 123R requires that excess tax benefits related to share-based compensation be reflected as financing cash inflows.

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, life of customer lists, and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FAS No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes is subject to significant and varied interpretations that have resulted in diverse and inconsistent accounting practices and measurements. Addressing such diversity, FIN 48 prescribes a consistent recognition threshold and measurement attribute, as well as clear criteria for

subsequently recognizing, derecognizing and measuring changes in such tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has not yet determined the impact of FIN 48 on its consolidated financial position, results of operations, cash flows or financial statement disclosures.

On September 15, 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 157 on its consolidated financial position, results of operations and cash flows or financial statement disclosures.

In September 2006, the SEC issued SAB No. 108 *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*(SAB 108), which is effective for fiscal years beginning after November 15, 2006 provides interpretive guidance on how registrants should quantify financial statement misstatements. Under SAB 108 registrants are required to consider both a "rollover" method, which focuses primarily on the income statement impact of misstatements, and the "iron curtain" method, which focuses primarily on the balance sheet impact of misstatements. The effects of prior year uncorrected errors include the potential accumulation of improper amounts that may result in a material misstatement on the balance sheet or the reversal of prior period errors in the current period that result in a material misstatement of the current period income statement amounts. Adjustments to current or prior period financial statements would be required in the event that after application of various approaches for assessing materiality of a misstatement in current period financial statements and consideration of all relevant quantitative factors, a misstatement is determined to be material. The Company is currently evaluating the potential impact, if any, of the adoption of SAB 108 on its consolidated financial position, results of operations and cash flows or financial statement disclosures.

In February, 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact SFAS 159 may have on our results of operations or financial position.

No other recently issued accounting pronouncement issued or effective after the end of the fiscal year is expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 - ACQUISITIONS

In accordance with SFAS No. 141, "Business Combinations," acquisitions 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.

NECS

Effective June 1, 2006, the Company acquired all of the issued and outstanding common stock of NECS. The aggregate consideration paid by the Company to the NECS selling shareholders, including acquisition transaction costs of $69,775, was $4,737,017, of which $4,333,987 was paid at closing. Additional purchase price adjustments of $189,077 were paid in October 2006 to settle working capital adjustments. In March 2007, aggregate additional consideration of $144,178 was paid to the NECS selling shareholders based on the earnout settlement for the calendar year ending December 31, 2006. In connection with the acquisition, NECS entered into employment agreements with two of the shareholders, each for a period of two years and a consulting agreement with one of the shareholders for a period of seven years.

The acquisition of NECS provides the Company with additional project engineering expertise for specialty communication systems, broadens the Company's customer base especially in the public safety and gaming markets, including the Massachusetts State Police, University of Connecticut and Foxwoods Resort Casino, and expands the Company's geographic presence in New England.

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

The purchase price allocation has been determined as follows:

Assets purchased:		
Cash	$	129,749
Accounts receivable		968,982
Inventory		348,579
Prepaid expenses		33,237
Fixed assets		244,740
Other assets		3,455
Customer list		570,000
Goodwill		3,380,111
		5,678,853
Liabilities assumed:		
Accounts payable		(611,862)
Accrued expenses		(199,681)
Deferred revenue		(94,802)
Capital lease obligations		(24,738)
Accrued property taxes		(10,753)
		(941,836)
Purchase price	$	4,737,017

SECS

Effective July 19, 2006, the Company acquired all of the issued and outstanding common stock of SECS. The aggregate consideration paid by the Company to the SECS selling shareholders, including acquisition transaction costs of $21,833, was $3,482,346, of which $1,620,000 was paid at closing, and the Company issued 200,288 shares of common stock valued at approximately $1,400,000. Additional purchase price adjustments of $440,513 were paid in November 2006, to settle working capital adjustments. The Company filed a registration statement with the SEC on August 14, 2006 to register the shares of common stock issued to the former SECS shareholders, which was declared effective by the SEC on August 24, 2006. In connection with the acquisition, SECS entered into employment agreements and a consulting agreement with certain officers or former officers of SECS.

The acquisition of SECS provides the Company with additional project engineering expertise for wireless infrastructure services, broadens the Company's customer base of corporate, government and educational clients, including the National Oceanic and Atmospheric Administration (NOAA), Verizon, BellSouth, Comcast, Time Warner, University of Florida and Puerto Rico Telephone, and expands the Company's geographic presence in the Southeastern United States.

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

The purchase price allocation has been determined as follows:

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Assets purchased:		
Cash	$	200,012
Accounts receivable		1,945,618
Inventory		97,096
Prepaid expenses		54,186
Costs in excess of billings		421,616
Fixed assets		273,980
Other assets		400
Backlog		60,000
Customer list		320,000
Goodwill		1,823,205
		5,196,113
Liabilities assumed:		
Accounts payable		(727,612)
Accrued expenses		(323,497)
Pension plan payable		(75,000)
Profit sharing		(40,056)
Notes payable		(378,103)
Billings in excess of costs		(169,499)
		(1,713,767)
Purchase price	$	3,482,346

Voacolo

On March 30, 2007, the company acquired Voacolo. The aggregate consideration paid by the Company to the Voacolo selling shareholders, including acquisition transaction costs of $24,288, was $2,461,788 of which $1,187,500 was paid at closing, and the Company issued 113,534 shares of common stock valued at approximately $1,250,000. The purchase price is subject to adjustment for any excess or shortfall between the net tangible asset value of Voacolo as of the closing date and $1,200,000. In addition, the Company shall pay an additional $2,500,000 in cash or Company common stock if Voacolo's earnings before interest and taxes for the period ending twelve months from March 30, 2007 shall equal or exceed $1,100,000. Voacolo was acquired pursuant to a Stock Purchase Agreement among WPCS International Incorporated, and the former Voacolo shareholders, dated and effective as of March 30, 2007. In connection with the acquisition, Voacolo entered into employment agreements with the former Voacolo shareholders, each for a period of two years.

Voacolo is an electrical contractor in the Mid-Atlantic area that specializes in both high and low voltage applications structured cabling and voice/data/video solutions, as well as beginning to expand its operations particularly in wireless video surveillance. The company is headquartered in Trenton, New Jersey and has completed many major projects for commercial and government entities.

Based on the preliminary information currently available, the acquisition resulted in goodwill and other intangible assets of approximately $1,345,000. Upon completion of a formal purchase price allocation, there may be a increase or decrease in the amount assigned to goodwill and a corresponding increase or decrease in tangible or other intangible assets.

The preliminary purchase price allocation has been determined as follows:

Assets purchased:		
Cash	$	584,094
Accounts receivable		2,119,362
Inventory		217,500
Prepaid expenses		55,788
Costs in excess of billings		215,143
Fixed assets		217,899
Backlog		200,200
Customer list		132,000
Goodwill		1,012,593
		4,754,579
Liabilities assumed:		
Accounts payable		(732,252)
Accrued expenses		(90,120)
Payroll and other payable		(80,672)
Loan payable		(602,984)
Notes payable		(100,436)

Billings in excess of costs	(686,327)
	(2,292,791)
Purchase price	$ 2,461,788

TAGS

On April 5, 2007, the company acquired a 60% Equity Interest and a 60% Profit Interest in TAGS from American Gas Services, Inc. (AGS) and American Gas Services, Inc. Consultants (AGS Consultants), respectively. The aggregate consideration paid by the Company to AGS and AGS Consultants, including acquisition transaction costs of $182,816, was $1,702,816 of which $800,000 was paid at closing, and the Company issued 61,277 shares of common stock valued at approximately $720,000. The purchase price is subject to adjustment in an amount equal to 60% of any shortfall between the net tangible asset value of TAGS as of the closing date and $3,300,000. The Interest was acquired pursuant to a Interest Purchase Agreement among WPCS International Incorporated, AGS and AGS Consultants, dated and effective as of April 5, 2007.

Founded in 1997 and headquartered in the Province of Shandong, TAGS is a communications infrastructure engineering company serving the China market. TAGS is certified by the People's Republic of China as both a Construction Enterprise of Reform Development company and a Technically Advanced Construction Enterprise company for the Province of Shandong, which are two of the highest certifications achievable for engineering and construction based businesses in China. TAGS is also licensed in 17 other provinces and has completed projects for a diverse customer base of businesses and government institutions in over 30 cities in China.

The preliminary purchase price allocation has been determined as follows:

Assets purchased:		
Cash	$	141,564
Accounts receivable		1,699,320
Inventory		621,725
Other current assets		399,664
Fixed assets		3,415,035
		6,277,308
Liabilities assumed:		
Accounts payable		(72,710)
Accrued expenses and other payable		(714,126)
Payroll and other payable		(165,423)
Dividends payable		(312,724)
Income tax payable		(235,279)
Notes payable		(1,681,846)
Deferred Revenue		(61,519)
Minority Interest		(1,330,865)
		(4,574,492)
Purchase price	$	1,702,816

Pro forma Information

The following unaudited pro forma financial information presents the combined results of operations of the Company, NECS, SECS, Voacolo and TAGS for the year ended April 30, 2007, 2006 and 2005 as if the acquisitions had occurred at May 1, 2004 , including the issuance of the Company's common stock as consideration for the acquisitions of SECS, Voacolo, and TAGS. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, NECS, SECS, Voacolo and TAGS been a single entity during this period.

	Consolidated Pro Forma		
	2007	**2006**	**2005**
Revenues	$ 81,176,137	$ 76,551,105	$ 68,248,366
Net income (loss)	5,167,349	(567,876)	2,071,474
Basic weighted shares	5,983,074	4,439,847	3,061,436
Diluted weighted shares	6,620,059	4,439,847	3,111,774
Basic net income (loss) per share	$0.86	($0.13)	$0.68
Diluted net income (loss) per share	$0.78	($0.13)	$0.67

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenue recognized. Costs and estimated earnings on uncompleted contracts consist of the following at April 30:

	2007	2006
Costs incurred on uncompleted contracts	$ 39,431,006	$ 24,694,056
Estimated contract profit	12,513,277	6,593,218
	51,944,283	31,287,274
Less: billings to date	51,717,031	30,930,609
Net excess of costs	$ 227,252	$ 356,665
Costs and estimated earnings in excess of billings	$ 2,499,940	$ 1,441,977
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,272,688)	(1,085,312)
Net excess of costs	$ 227,252	$ 356,665

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2007	2006
Furniture and fixtures	5 - 7	$ 222,963	$ 135,383
Computers and software	2-3	722,072	476,342
Office equipment	5-7	92,337	55,612
Vehicles	5 - 7	1,903,142	1,256,568
Machinery and equipment	5	4,231,918	393,436
Leasehold improvements	2-3	436,477	227,774
		7,608,909	2,545,115
Less accumulated depreciation and amortization expense		2,119,989	1,192,899
		$ 5,488,920	$ 1,352,216

Depreciation expense for property and equipment for the years ended April 30, 2007, 2006 and 2005 was approximately $776,000 $544,000, and $372,000, respectively.

NOTE 6 - LONG-TERM DEBT

Line of Credit

On April 10, 2007, WPCS International Incorporated (the "Company"), and each of its subsidiaries entered into a loan agreement with Bank of America, N.A. ("BOA"). The loan agreement (the "Loan Agreement"), provides for a revolving line of credit in an amount not to exceed $12,000,000, together with a letter of credit facility not to exceed $2,000,000. The Company and its subsidiaries also entered into security agreements with BOA, pursuant to which each entity granted a security interest to BOA in all of their assets.

The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth, and (ii) minimum interest coverage ratio. The loan commitment shall expire on April 10, 2010. The Company may prepay the loan at any time.

Loans under the Loan Agreement bear interest at a rate equal to BOA's prime rate, minus one percentage point. The Company has the option to elect to use the optional interest rate of LIBOR plus one hundred seventy-five basis points (5.32% LIBOR rate plus one and three quarters percent as of April 30, 2007).

The Company used the initial funds provided by the loan, in the gross amount of $4,454,217 to repay the existing credit agreement with Bank Leumi USA, which credit agreement was terminated in connection with the Loan Agreement.

Loans Payable

The Company's long-term debt also consists of notes issued to the company or assumed in acquisitions related to the purchase of property and equipment in the ordinary course of business. At April 30, 2007, loans payable totaled approximately $2,882,888 with interest rates ranging from 0% to 9.49%.

The aggregate maturities of long-term debt, including the line of credit and loans payable are as follows:

Year ending April 30,			
	2008	$	2,598,872
	2009		128,850
	2010		4,552,748
	2011		28,207
	2012		18,909
Thereafter			9,519
Total long-term debt		$	7,337,105

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, 2007 and 2006, the rent paid for this lease was $88,000.

In connection with the acquisition of Clayborn, an additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions to the Clayborn former 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 April 30, 2007, payments of $393,000 have been made to the former Clayborn shareholders and the total remaining due is $707,000.

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 was paid in April 2006 and $50,000 was paid in April 2007.

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.

In connection with the acquisition of SECS in fiscal 2007, the Company leases its Sarasota, Florida location from a trust, of which one of the former shareholders of SECS, is the trustee. For the year ended April 30, 2007, the rent paid for this lease was $40,315.

In connection with the acquisition of Voacolo in fiscal 2007, the Company leases its Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo, are the members. For the year ended April 30, 2007, the rent paid for this lease was $4,500.

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 plan. There were approximately $241,000, $141,000, and $8,800 in contributions made for the years ended April 30, 2007, 2006, and 2005 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 $1,816,000, $2,050,000 and $2,178,000 for such costs for the years ended April 30, 2007, 2006 and 2005, respectively.

NOTE 9 - INCOME TAXES

The provision for income taxes for the years ended at April 30, 2007, 2006 and 2005 is summarized as follows:

	2007	2006	2005
Current			
Federal	$ 2,201,000	$ 1,248,000	$ 99,000
State and foreign	784,818	310,773	87,096
Deferred			
Federal	147,000	(70,000)	(76,000)
State	14,000	27,000	(58,000)
Totals	$ 3,146,818	$ 1,515,773	$ 52,096

The actual provision for income taxes reflected in the consolidated statements of operations for the years ended April 30, 2007, 2006 and 2005 differs from the provision (benefit) computed at the federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes are summarized as follows:

	2007	2006	2005
Expected tax (benefit) provision at statutory rate (34%)	$ 2,631,742	$ (36,838)	$ 469,566
State and local taxes, net of federal tax benefit	527,675	205,530	19,000
Foreign income taxes	30,117	-	-
Loss (gain) on fair value of warrants	-	1,386,688	(481,566)
Other	(42,716)	(39,607)	45,096
Totals	$ 3,146,818	$ 1,515,773	$ 52,096

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

	2007	2006
Deferred tax assets:		
Allowance for doubtful accounts	$ 27,000	$ 33,000
Reserve for loss on work-in-progress	-	31,000
Net operating loss carryforward	16,000	-
Federal benefit of deferred state tax liabilities	11,000	14,000
Deferred tax assets-current	54,000	78,000
Customer lists	111,000	51,000
Net operating loss carryforward	154,000	83,000
Valuation allowance	(154,000)	(83,000)
Deferred tax assets-long term	111,000	51,000
Deferred tax liabilities:		
Inventory	(14,000)	(13,000)
Federal benefit of deferred state tax liabilities	(13,000)	(8,000)
Deferred tax liabilities-current	(27,000)	(21,000)
Fixed assets	(107,000)	(126,000)
Customer lists	(90,000)	(175,000)
Goodwill	(525,000)	(230,000)
Deferred tax liabilities-long term	(722,000)	(531,000)
Net deferred tax liabilities	$ (584,000)	$ (423,000)

At April 30, 2007, the Company has net operating loss carryforwards for state tax purposes approximating $1.4 million 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 against the deferred tax asset related to these loss carryforwards.

NOTE 10 - STOCK OPTION PLANS

In September 2006, the Company adopted the 2007 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2007 Incentive Stock Plan, 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. At April 30, 2007, there were no stock options granted under this plan.

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. These shares were registered under Form S-8. 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. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2007, options to purchase 327,259 shares were outstanding at exercise prices ranging from $6.14 to $8.79. At April 30, 2007, there were 6,498 options available for grant under the 2006 Incentive Stock Plan.

In March 2003, the Company established a 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"). These shares were registered under Form S-8. Under the terms of the 2002 Plan, the options 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. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2007, options to purchase 233,575 shares were outstanding at exercise prices ranging from $4.80 to $19.92. At April 30, 2007, there were 45,073 shares available for grant under the 2002 Plan.

The following table summarizes stock option activity for the years ended April 30, 2007, 2006 and 2005:

	2002 Stock Option Plan		2006 Stock Option Plan	
	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price
Outstanding, May 1, 2004	299,322	12.49	-	-
Granted	266,890	6.15	-	-
Cancelled	(111,585)	6.58		
Outstanding, May 1, 2005	454,627	8.77	-	-
Granted	18,730	6.94	383,500	6.16
Cancelled	(59,174)	14.96	-	-
Exercised	(11,251)	5.22	-	-
Outstanding, May 1, 2006	402,932	7.87	383,500	6.16
Granted	-	-	11,252	8.01
Cancelled	(42,589)	6.46	(1,250)	6.15
Exercised	(126,768)	9.00	(66,243)	7.22
Outstanding, May 1, 2007	233,575	8.43	327,259	6.22

The following is a summary of information with respect to stock options granted under the 2002 Plan and 2006 Incentive Stock Plan at April 30, 2007 and April 30, 2006:

	Options Outstanding at April 30, 2007			**Options Exercisable at April 30, 2007**	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
$4.80 - $5.52	40,593	2.73	$ 5.11	39,009	$ 5.10
$6.10 - $9.00	451,000	3.17	$ 6.48	429,700	$ 6.42
$10.92-$14.40	62,823	1.35	$ 12.13	62,823	$ 12.13
$16.20-$19.92	6,418	0.74	$ 17.41	6,418	$ 17.41
Total	560,834	2.91	$ 7.14	537,950	$ 7.13

The following table summarizes stock option activity for the year ended April 30, 2007, during which there were 193,011 options exercised under the Company's stock option plans:

	2002 Plan				2006 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2006	402,932	$ 7.87			383,500	$ 6.16	-	-
Granted	-	-	-	-	11,252	$ 8.01	-	-
Exercised	(126,768)	$ 6.46	-	-	(66,243)	$ 6.15	-	-
Forfeited/Expired	(42,589)	$ 9.00	-	-	(1,250)	$ 7.22	-	-
Outstanding, April 30, 2007	233,575	$ 8.43	2.1	$ 1,200,630	327,259	$ 6.22	3.5	$ 2,366,810
Vested and expected to vested, April 30, 2007	232,580	$ 8.44	2.1	$ 1,194,301	325,533	$ 6.21	3.5	$ 2,357,062
Exercisable, April 30, 2007	223,360	$ 8.50	2.0	$ 1,134,453	314,590	$ 6.15	3.5	$ 2,296,929

NOTE 11 - SHAREHOLDERS' EQUITY

Common Stock Issuance

On January 30, 2007, the Company sold an aggregate of 1,109,023 shares of the Company's common stock (Common Stock) to twelve investors for aggregate proceeds of $10,092,109. The Company paid the placement agents of the offering a cash fee of 7% of the proceeds of the offering. The Company has received net proceeds of $9,337,891 from the offering.

The Common Stock was 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 agreed to cause a resale registration statement covering the Common Stock to be filed no later than 30 days after the closing and declared effective no later than 120 days after the closing. If the Company failed to comply with the registration statement filing or effective date requirements, it would have been required to pay the investors a fee equal to 2% of the aggregate amount invested by the purchasers per each 30 day period of delay, not to exceed 10%. The Company accounts for such penalties as contingent liabilities, applying the accounting guidance of SFAS No. 5, "Accounting for Contingencies" ("FAS 5"). This accounting is consistent with views established by the Emerging Issues Task Force in its consensus set forth in EITF 05-04 and FASB Staff Positions FSP EITF 00-19-2 "Accounting for Registration Payment Arrangements", which was issued December 21, 2006. Accordingly, the Company recognizes damages when it becomes probable that they will be incurred and amounts are reasonably estimable. The Company filed a resale registration statement on February 9, 2007 covering the Common Stock, which was declared effective by the SEC on March 2, 2007, which was within the agreed upon timeframe under the terms of sale.

On April 12, 2006, the Company closed a purchase agreement with four selected institutional investors for the registered direct sale of 876,931 shares of common stock at an offering price of $7.00 per share. The Company paid the placement agent of the offering a cash fee of 6.5% of the proceeds of the offering. The Company received net proceeds of $5,528,166 from this offering. The Company made the sale pursuant to a registration statement declared effective by the Securities and Exchange Commission on April 11, 2006.

On November 16, 2004, the Company completed a private placement with certain investors for an aggregate of 2,083,887 shares of its common stock and 2,083,887 common stock purchase warrants for $10,000,000. Under the terms of the sale, the investors were granted certain registration rights that provided for liquidated damages in the event the Company failed to timely perform under the registration rights agreements.

During the third quarter of fiscal 2006, the Company became aware that the SEC had recently announced its preferred interpretation of the accounting for common stock and warrants with registration rights under Emerging Issues Task Force ("EITF") 00-19, "Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in the Company's Own Stock," and EITF 05-04,

"The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF 00-19." Although the EITF was still reviewing the guidance in EITF 05-04, the SEC concluded that under EITF 00-19, the common stock and warrants subject to registration rights where significant liquidated damages could be required to be paid to the holder of the instrument in the event the issuer fails to maintain the effectiveness of a registration statement for a preset time period does not meet the tests required for shareholders' equity classification and, accordingly, must be reflected as temporary equity in the balance sheet until the conditions are eliminated. Additionally, the fair value of warrants should be recorded as a liability, with an offsetting reduction to shareholders' equity, adjusted to market value at the end of each period. In analyzing instruments under EITF 00-19, the SEC concluded that the likelihood or probability related to the failure to maintain an effective registration statement was not a factor at that time.

During fiscal 2006, the warrant liability increased by $4,078,494, due to the increase in the market value of our common stock, resulting in us recording a net non-cash loss on fair value of warrants for the fiscal year ended April 30, 2006. The non-cash loss on warrants had no effect on our cash flows or liquidity.

On April 11, 2006, the Company entered into a waiver agreement with the institutional investors related to this private placement. Under the waiver, the parties agreed to modify the registration rights agreement associated with the common stock and warrants issued in November 2004 affected by EITF 00-19, thereby eliminating the penalty provisions that could have resulted from not maintaining an effective registration statement related to these common shares and shares underlying the warrants, and eliminating any similar non-cash charges in subsequent fiscal years and reclassified the amounts to permanent equity.

Common Stock Purchase Warrants

The Company sold an aggregate of 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants on November 16, 2004, as discussed above. Each of these warrants is exercisable for a period of five years and was original issued at an exercise price of $8.40 per share. 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. As a result of the issuance of common stock at $6.99 per share to the selling shareholders of SECS, discussed above, the exercise price of 1,592,781 common stock purchase warrants were adjusted to $6.99 per share, and 320,741 additional warrants were issued under the "make-whole" provisions of the warrant agreement. 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.

All unexercised warrants issued in connection with the company's June 2003 private placement of common stock expired during fiscal year 2007.

The following table summarizes the activity of the common stock purchase warrants for the years ended April 30, 2007, 2006 and 2005:

	Number of Shares	Weighted Average Exercise Price
Outstanding, May 1, 2004	425,784	$ 10.57
Granted	2,146,387	8.40
Outstanding, May 1, 2005	2,572,171	8.76
Granted	-	-
Exercised	(554,717)	8.40
Outstanding, May 1, 2006	2,017,454	8.62
Granted	320,741	6.99
Exercised	(30,281)	6.99
Expired	(424,118)	10.57
Outstanding, April 30, 2007	1,883,796	$ 6.99

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 primarily include cash and prepaid expenses. Segment results for the years ended April 30, 2007, 2006 and 2005 are as follows:

As of and for year ended April 30, 2007

	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	$ -	$ 13,250,499	$ 56,749,571	$ 70,000,070
Depreciation and amortization	$ 57,368	$ 259,097	$ 923,021	$ 1,239,486
Income (loss) before income taxes	$ (1,851,995)	$ 976,769	$ 8,615,645	$ 7,740,419
Goodwill	$ -	$ 4,319,071	$ 16,150,537	$ 20,469,608
Total assets	$ 10,419,087	$ 10,878,557	$ 50,394,026	$ 71,691,670

As of and for year ended April 30, 2006

	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	$ -	$ 9,300,228	$ 42,844,347	$ 52,144,575
Depreciation and amortization	$ 59,474	$ 103,264	$ 675,051	$ 837,789
Income (loss) before income taxes	$ (5,615,080)	$ 1,240,928	$ 4,265,805	$ (108,347)
Goodwill	$ -	$ 2,482,085	$ 11,757,833	$ 14,239,918
Total assets	$ 10,627,658	$ 6,531,651	$ 26,963,009	$ 44,122,318

As of and for year ended April 30, 2005

	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	$ -	$ 8,651,555	$ 31,496,678	$ 40,148,233
Depreciation and amortization	$ 20,423	$ 161,485	$ 500,489	$ 682,397
Income (loss) before income taxes	$ 207,777	$ 783,014	$ 390,286	$ 1,381,077
Goodwill	$ -	$ 2,479,410	$ 11,482,232	$ 13,961,642
Total assets	$ 1,169,887	$ 4,604,335	$ 24,402,489	$ 30,176,711

NOTE 13 - QUARTERLY RESULTS FOR 2007 AND 2006 (UNAUDITED)

This table summarizes the unaudited results of operation for each quarter of fiscal 2007 and 2006:

Year Ended April 30, 2007	1Q07	2Q07	3Q07	4Q07
Revenue	$ 16,436,278	$ 17,753,044	$ 18,121,405	$ 17,689,343
Operating income	1,414,839	1,815,102	2,122,564	2,381,819
Net income	$ 914,427	$ 1,064,647	$ 1,251,879	$ 1,362,648
Basic net income per common share	$ 0.17	$ 0.19	$ 0.23	$ 0.20
Diluted net income per common share	$ 0.16	$ 0.18	$ 0.20	$ 0.18

Year Ended April 30, 2006	1Q06	2Q06	3Q06	4Q06
Revenue	$ 12,171,639	$ 14,250,243	$ 11,821,189	$ 13,901,504
Operating income	563,378	1,345,837	1,140,776	1,054,455
Loss (gain) on change in fair value of warrants	4,110,594	(2,382,912)	9,678,732	(7,327,920)
Net income (loss)	($3,795,319)	$ 3,167,717	($9,012,290)	$ 8,015,769
Basic net income (loss) per common share	($0.99)	$ 0.82	($2.26)	$ 1.75
Diluted net income (loss) per common share	($0.99)	$ 0.82	($2.26)	$ 1.62

Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding in each quarter. Therefore, the sum of the quarterly earnings per share does not necessarily equal the full year earnings per share disclosed on the consolidated statements of operations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment contracts ranging from one to three years with certain of its employees. The aggregate base salary commitments under these contracts at April 30, 2007 are approximately $5,500,000.

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 April 2014. The Company also has non-cancelable vehicle leases. The minimum rental commitments under these non-cancelable leases at April 30, 2007 are summarized as follows:

Year ending April 30,			
	2008	$	759,245
	2009		469,068
	2010		368,668
	2011		251,706
	2012		192,449
	Thereafter		201,430
Total minimum lease payments		$	2,242,566

Rent expense for all operating leases was approximately $559,000, $396,000 and $358,000 in 2007, 2006 and 2005, respectively.

NOTE 15 - SUBSEQUENT EVENTS

The Company recently announced the signing of letters of intent to acquire two companies. These transactions are expected to close by August 1, 2007, subject to completion of due diligence and the execution of definitive agreements.

The Company intends to acquire 100% of Major Electric, Inc (Major) for $4 million in cash and stock at closing with additional purchase price to be paid upon the achievement of a certain earnings target for a period ending December 31, 2007. Founded in 1994, Major is headquartered in the Seattle area and is a wireless and electric contractor specializing in direct digital controls, security, wireless SCADA applications and wireless infrastructure services. Major Electric has completed many major projects for many commercial entities.

The Company intends to acquire 100% of Max Engineering LLC (Max) for $800,000 in cash and stock at closing with additional purchase price to be paid upon the achievement of a specific two-year earnings goal. Founded in 2000, Max is an engineering firm headquartered in Houston, Texas, specializing in the design of specialty communication systems and wireless infrastructure for telecommunications, oil, gas and wind energy.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of April 30, 2007. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were designed at a reasonable assurance level and were effective as of April 30, 2007 to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B - OTHER INFORMATION

None

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our directors and executive officers and their ages as of the date hereof are as follows:

NAME	AGE	OFFICES HELD
Andrew Hidalgo	51	Chairman, Chief Executive Officer and Director
Joseph Heater	43	Chief Financial Officer
Donald Walker	44	Executive Vice President
James Heinz	47	Executive Vice President
Richard Schubiger	42	Executive Vice President
Charles Madenford	44	Executive Vice President
Norm Dumbroff	46	Director
Neil Hebenton	51	Director
Gary Walker	52	President of Walker Comm, Inc and Director
William Whitehead	51	Director

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

Andrew Hidalgo, Chairman, Chief Executive Officer and Director

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.

Charles Madenford*, *Executive Vice President

Mr. Madenford has been Executive Vice President since April 2007. He is also currently president of the Clayborn subsidiary, a position he has held since September 2005. From May 2003 to August 2005, Mr. Madenford was a Vice President for Clayborn. Prior to that, from September 2002 to May 2003, he served as Project Manager for W.E. Lyons Construction Company, a general contractor. Prior to that, from August 1995 to August 2002, Mr. Madenford served as a vice president for N.V. Heathorn, a West Coast mechanical and architectural firm. Mr. Madenford has over twenty-one years of project engineering experience in mechanical and construction engineering. He holds a B.S. degree in civil engineering with a minor in industrial engineering from the University of Dayton.

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, President of Walker Comm, Inc. and Director

Mr. Walker became a director of WPCS in December 2002. He is currently the president of the Walker Comm subsidiary, 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.

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 auditor, (iii) pre-approving the professional services provided by the independent auditor, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditor, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditor. 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.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5, and amendments thereto, furnished to us during fiscal year 2007, we are not aware of any director, officer or beneficial owner of more than ten percent of our Common Stock that failed to file reports required by Section 16(a) of the Securities Exchange Act of 1934 on a timely basis during fiscal year 2007.

Code of Ethics

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

ITEM 11 - EXECUTIVE COMPENSATION

Under the rules of the SEC, this Compensation Discussion and Analysis Report is not deemed to be incorporated by reference by any general statement incorporating this Annual Report by reference into any filings with the SEC.

The Executive Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Executive Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Submitted by the Executive Committee
Norm Dumbroff, Chairman
Neil Hebenton
William Whitehead

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

The following discussion and analysis of compensation arrangements of our named executive officers for the fiscal year ended April 30, 2007 should be read together with the compensation tables and related disclosures set forth below.

Compensation Philosophy and Objectives

We believe our success depends on the continued contributions of our named executive officers. Our named executive officers are primarily responsible for our growth and operations strategy, and the management of the day-to-day operations of our subsidiaries. Therefore, it is important to our success that we retain the services of these individuals to ensure our future success and prevent them from competing with us should their employment with us terminate.

Our overall compensation philosophy is to provide an executive compensation package that enables us to attract, retain and motivate executive officers to achieve our short-term and long-term business goals. We strive to apply a uniform philosophy regarding compensation of all employees, including members of senior management. This philosophy is based upon the premise that the achievements of the company result from the combined and coordinated efforts of all employees working toward common goals and objectives in a competitive, evolving market place. The goals of our compensation program are to align remuneration with business objectives and performance and to enable us to retain and competitively reward executive officers and employees who contribute to our long-term success. In making executive compensation and other employment compensation decisions, the Executive Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee.

The Executive Committee will evaluate our compensation policies on an ongoing basis to determine whether they enable us to attract, retain and motivate key personnel. To meet these objectives, the Executive Committee may from time to time increase salaries, award additional stock options or provide other short and long-term incentive compensation to executive officers and other employees.

Compensation Program & Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary and participation in benefit plans generally available to other employees. In setting total compensation, the Executive Committee considers individual and company performance, as well as market information regarding compensation paid by other companies in our industry.

In order to achieve the above goals, our total compensation packages include base salary, annual bonus, as well as long-term compensation in the form of stock options.

Base Salary. Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the industry for individuals of similar education and background to the executive officers being recruited. We also consider the individual’s experience, and expected contributions to our company. Base salary is continuously evaluated by competitive pay and individual job performance. Base salaries for executives are reviewed annually or more frequently should there be significant changes in responsibilities. In each case, we take into account the results achieved by the executive, his or her future potential, scope of responsibilities and experience, and competitive salary practices.

Bonus. A component of each executive officer's potential annual compensation may take the form of a performance-based bonus. Contractually, our Executive Vice Presidents are entitled to receive an annual bonus equal to 3% of the annual profit before interest and taxes of the designated subsidiaries assigned to the him. Our CEO and CFO are entitled to an annual bonus, to be determined at the discretion of the Executive Committee, based on our financial performance and the achievement of the officer's individual performance objectives.

Long-Term Incentives. Longer-term incentives are provided through stock options, which reward executives and other employees through the growth in value of our stock. The Executive Committee believes that employee equity ownership provides an incentive for employees to build stockholder value and serves to align the interests of employees with those of our stockholders. Grants of stock options to executive officers are based upon each officer's relative position, responsibilities and contributions, with primary weight given to the executive officers' relative rank and responsibilities. Initial stock option grants designed to recruit an executive officer may be based on negotiations with the officer and with reference to historical option grants to existing officers. Stock options are generally granted at an exercise price equal to the market price of our common stock on the date of grant and will provide value to the executive officers only when the price of our common stock increases over the exercise price. Although the expenses of stock options affect our financial statements negatively, we continue to believe that this is a strong element of compensation that focuses the employees on financial and operational performance to create value for the long-term.

With regard to our option grant practice, the Executive Committee has the responsibility of approving stock option grants to all employees. Stock option grants for plan participants are generally determined within ranges established for each job level. These ranges are established based on our desired pay positioning relative to the competitive market. Specific recruitment needs are taken into account for establishing the levels of initial option grants. Annual option grants take into consideration a number of factors, including performance of the individual, job level, prior grants and competitive external levels. The goals of option grant guidelines are to ensure future grants remain competitive from a grant value perspective and to ensure option usage consistent with option pool forecasts. Based on the definition of fair market value in our stock option plan, options are granted at 100% of the closing sales price of our stock on the last market trading date prior to the grant date. We do not time the granting of our options with any favorable or unfavorable news released by us. Proximity of any awards to an earnings announcement or other market events is coincidental.

Executive Equity Ownership

We encourage our executives to hold an equity interest in our company. However, we do not have specific share retention and ownership guidelines for our executives.

Performance-Based Compensation and Financial Restatement

We have not considered or implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executives and other employees where such payments were predicated upon the achievement of certain financial results that were subsequently the subject of a financial restatement.

Tax and Accounting Considerations

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts deductibility of executive compensation paid to our Chief Executive Officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Executive Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Income related to stock options granted under our 2002 Stock Option Plan, the 2006 Incentive Stock Plan, and the 2007 Incentive Stock Plan, generally qualify for an exemption from these restrictions imposed by Section 162(m). In the future, the Executive Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

Accounting for Stock-Based Compensation. Effective May 1, 2006, we adopted the fair value recognition provisions of FASB Statement 123(R) for stock-based compensation.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Contract with Andrew Hidalgo

On February 1, 2005, 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 was $168,000 per annum through April 30, 2007. Effective May 1, 2007, the base salary under the agreement was amended to $250,000 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 through April 30, 2007. Effective May 1, 2007, the base salary under the agreement was amended to $195,000. 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, who is an Executive Vice President, and also a Vice-President of Walker Comm. The base salary under the agreement was $140,000 per annum through January 31, 2007. Mr. Walker was also entitled to a quarterly bonus of 3.0% of the operating income of Walker Comm, prior to the deduction of interest, taxes, depreciation and amortization through January 31, 2007.

Effective February 1, 2007, we renewed the employment contract with Mr. Walker for three years with a base salary of $160,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. 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 3.0% of the operating income of Walker Comm, prior to the deduction of interest and taxes.

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 was $140,000 per annum through January 31, 2007. Mr. Walker was also entitled to a quarterly bonus of 3.0% of the operating income of Walker Comm, prior to the deduction of interest, taxes, depreciation and amortization through January 31, 2007.

Effective February 1, 2007, we renewed the employment contract with Mr. Walker for three years with a base salary of $150,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. 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 3.0% of the operating income of Walker Comm, prior to the deduction of interest and taxes.

Contract with James Heinz

On April 2, 2004, we entered into a three-year employment contract with James Heinz, who is an Executive Vice President. and also a Vice-President of Heinz, The base salary under the agreement was $140,000 per annum through March 31, 2007. Mr. Heinz was also entitled to receive an annual bonus of 3.0% of operating income, before the deduction of interest and income taxes of Heinz, WPCS Incorporated and Invisinet, Inc. through March 31, 2007.

Effective April 1, 2007, we renewed the employment contract with Mr. Heinz with a base salary of $160,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. 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 3.0% of operating income, before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Richard Schubiger

On August 1, 2005, we entered into a three-year employment contract with Richard Schubiger, who is an Executive Vice President and also the President of Quality. 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 was $140,000 per annum through April 30, 2007. Effective May 1, 2007, the base salary under the agreement was amended to $195,000. 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., Mr. Schubiger is entitled to receive an annual bonus of 3.0% of earnings before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Charles Madenford

Effective April 1, 2007, we entered into an employment contract with Mr. Madenford with a base salary of $150,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. In addition, Mr. Madenford 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. Madenford is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Madenford for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Madenford is also entitled to receive an annual bonus of 3.0% of operating income, before the deduction of interest and income taxes of designated subsidiaries assigned by us.

For each of the named executive officers listed above, in the event of a change in control, whereby the executive officer is terminated without cause, or resigns for certain "good reasons" we are required to pay the named executive officer a severance payment. The severance payment is the salary and benefits amount owed under the respective employment agreement from the date of termination through the remaining term of the employment agreement.

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, Chief Financial Officer and four other highest paid executive officers whose total annual salary and bonus exceeded $100,000 (collectively, the "named executive officers") for fiscal year 2007.

Name and Principal Position	Year	Salary ($)	Bonus ($)	All Other Compensation ($)	Total ($)
Andrew Hidalgo	2007	168,000	60,000	10,800 (7)	238,800
Chairman, Chief Executive Officer	2006	168,000	-	11,492 (7)	179,492
and Director (1)	2005	168,000	-	9,549 (7)	177,549
Joseph Heater	2007	140,000	40,000	-	180,000
Chief Financial Officer (2)	2006	139,333	-	-	139,333
	2005	132,000	-	-	132,000
Donald Walker	2007	145,000	131,448	13,200 (8)	289,648
Executive Vice President (3)	2006	140,000	37,215	-	177,215
	2005	140,000	10,269	-	150,269
					-
Gary Walker	2007	142,500	131,448	12,190 (8)	286,138
President- Walker and Director (4)	2006	140,000	37,215	-	177,215
	2005	140,000	10,269	-	150,269
Richard Schubiger	2007	140,000	107,829	-	247,829
Executive Vice President (5)	2006	140,000	73,658	-	213,658
	2005	50,000	-	-	50,000
James Heinz	2007	141,667	33,577	-	175,244
Executive Vice President (6)	2006	140,005	31,985	-	171,990
	2005	140,000	-	-	140,000

(1) Mr. Hidalgo has served as Chairman, Chief Executive Officer and Director since May 24, 2002.
(2) Mr. Heater has served as Chief Financial Officer since July 15, 2003.
(3) Mr. Walker has served as Executive Vice President since December 30, 2002.
(4) Mr. Walker has served as President of Walker Comm and as a Director since December 30, 2002.
(5) Mr. Schubiger has served as Executive Vice President since Novermber 24, 2004.
(6) Mr. Heinz has served as Executive Vice President since April 2, 2004.
(7) Represents lease payments for use of company-leased vehicle.
(8) Represents 401(k) matching contributions.

GRANTS OF PLAN-BASED AWARDS

There were no grants of plan-based awards to named officers in fiscal 2007.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of April 30, 2007.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Andrew Hidalgo	73,046	-	$ 6.60	10/6/2009
	126,690	-	$ 6.14	10/13/2010
Joseph Heater	20,834	-	$ 9.00	6/12/2008
	12,500	-	$ 12.84	8/6/2008
	7,500	-	$ 6.60	10/6/2009
	63,345	-	$ 6.14	10/13/2010
James Heinz	10,000	-	$ 5.25	2/1/2010
	38,007	-	$ 6.14	10/13/2010
Richard Schubiger	10,000	-	$ 5.25	2/1/2010
	38,007	-	$ 6.14	10/13/2010

Option Exercises - Fiscal 2007

The following table summarizes the options exercised by the named executives during the fiscal year ended April 30, 2007:

	Option Awards	
Name	Number of Shares Acquired on Exercise	Value Realized Upon Exercise ($)
Andrew Hidalgo	81,121	305,662
Joseph Heater	27,500	120,833
Donald Walker	38,007	157,181
Gary Walker	19,820	10,136

Director Compensation

The following table sets forth summary information concerning the total compensation paid to our non-employee directors in 2007 for services to our company.

Name	**Option Awards ($)(*)**	**Total ($)**
JeNorm Dumbroff (1)	8,762	8,762
Neil Hebenton (2)	8,762	8,762
William Whitehead (3)	8,762	8,762
Total:	26,286	26,286

* Amounts represent the aggregate grant date fair value of stock-based compensation expense for stock options granted in fiscal 2007 under SFAS 123R as discussed in Note 2, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

(1) 23,988 options were outstanding as of April 30, 2007, of which 21,904 were exercisable as of April 30, 2007.
(2) 13,988 options were outstanding as of April 30, 2007, of which 11,904 were exercisable as of April 30, 2007.
(3) 23,988 options were outstanding as of April 30, 2007, of which 21,904 were exercisable as of April 30, 2007.

Cash Compensation. Our non-employee directors serve without cash compensation and without other fixed remuneration. We reimburse our non-employee Directors for all reasonable out-of-pocket expenses incurred in the performance of their duties as Directors. Employee directors are not compensated for Board services in addition to their regular employee compensation.

ITEM 12- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of July 15, 2007:

- 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 (3)
Andrew Hidalgo	403,953	(4)	5.63%
Joseph Heater	104,179	(4)	1.47%
Donald Walker	-		-
James Heinz	107,531	(4)	1.53%
Richard Schubiger	48,007	(4)	*
Charles Madenford	4,084	(4)	*
Norm Dumbroff	94,822	(4)	1.36%
Neil Hebenton	13,988	(4)	*
Gary Walker	66,280	(4)	*
William Whitehead	30,155	(4)	*
All Officers and Directors as a Group (10 persons)	872,999	(4)	11.73%
Special Situations Private Equity Fund, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	1,045,466	(5)	13.95%
Special Situations Fund III QP, L.P. 527 Madison Avenue, Suite 2600 New York, NY 10022	1,442,666	(5)	18.88%
SF Capital Partners Ltd. 3600 South Lake Dr. St. Francis, WI 53235	500,360	(6)	6.93%

* 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 July 15, 2007 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 6,971,698 shares of common stock outstanding.

(4) 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 July 15, 2007 or become exercisable within 60 days of that date: Andrew Hidalgo, 199,736 shares; Joseph Heater, 104,179 shares; James Heinz, 48,007 shares; Richard Schubiger, 48,007 shares; Charles Madenford, 4,084 shares; Norm Dumbroff, 23,988 shares; Neil Hebenton, 13,988 shares; William Whitehead, 28,155 shares; and all officers and directors as a group, 470,144 shares.

(5) 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 July 15, 2007 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, based on the information in the most recent Form 4 filed on July 11, 2007.

(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 July 15, 2007 or become exercisable within 60 days of that date: 250,360 shares.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about the shares of our common stock that may be issued upon the exercise of options granted to employees under the 2002 Stock Option Plan, which were approved by the Board of Directors, and the 2006 and 2007 Incentive Stock Plans approved by the Board of Directors and shareholders, as well as certain shares that may be issued upon the exercise of options under the 2002 Stock Option Plan, that were issued to consultants, which were not approved by the Board of Directors.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
Equity compensation plan approved by board of directors (1)	233,575	$ 8.43	45,073
Equity compensation plan approved by security holders (2)	327,259	$ 6.22	6,498
Equity compensation plan approved by security holders (3)	-	-	400,000
Total	560,834	$ 7.14	451,571

(1) We established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 shares of our common stock were reserved for grant (the 2002 Plan). As of April 30, 2007, included above in the 2002 Plan are 204,096 shares issuable upon exercise of options granted to employees and directors, and 29,334 options granted to outside consultants for services rendered to our company.

(2) We established the 2006 Incentive Stock Plan, under which 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2007, 383,500 shares were issuable upon exercise of options granted to employees and directors.

(3) We established the 2007 Incentive Stock Plan, under which 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2007, 400,000 shares were issuable upon exercise of options granted to employees and directors.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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 each of the fiscal years ended April 30, 2007, 2006, and 2005, the rent paid for this lease was $88,000. 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 April 30, 2007, payments of $393,000 have been made to the former Clayborn stockholders and the total remaining due is $707,000.

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 was paid in April 2006 and $50,000 was paid in April 2007.

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.

On July 19, 2006, we acquired SECS and we lease our Sarasota, Florida location from a trust, of which one of the former shareholders of SECS, is the trustee. For the year ended April 30, 2007, the rent paid for this lease was $40,315.

On March 30, 2007, we lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo, are the members. For the year ended April 30, 2007, the rent paid for this lease was $4,500.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees. The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2007 and 2006, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q or 10-QSB during the fiscal year were $278,471 and $250,161, respectively.

Audit Related Fees. We incurred fees to our independent auditors of $14,400 and $57,150, respectively, for audit related fees during the fiscal years ended April 30, 2007 and 2006. These fees were primarily related to the review of our registration statements prior to filing with the SEC.

Tax and Other Fees. We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended April 30, 2007 and 2006.

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits:

3.1	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006.
3.2	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006.
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.
4.7	2007 Incentive Stock Plan, incorporated by reference to Exhibit A of WPCS International Incorporated's definitive proxy statement on Schedule 14A, filed August 18, 2006.
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, incorporated by reference to Exhibit 10.6 of WPCS International Incorporated's registration statement on Form SB-2, filed February 8, 2006.
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, incorporated by reference to Exhibit 10.10 of WPCS International Incorporated's registration statement on Form SB-2, filed February 8, 2006.
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	Purchase Agreement, dated as of April 11, 2006, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 12, 2006.
10.18	Waiver, dated as of April 11, 2006, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed April 12, 2006.
10.19	Stock Purchase Agreement, dated as of June 7, 2006, by and among WPCS International Incorporated, New England Communications Systems, Inc., Myron Polulak, Carolyn Windesheim and Gary Tallmon, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006.
10.20	Employment Agreement, dated as of June 7, 2006, between New England Communications Systems, Inc. and Myron Polulak, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006.
10.21	Employment Agreement, dated as of June 7, 2006, between New England Communications Systems, Inc. and Carolyn Windesheim, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006.
10.22	Stock Purchase Agreement, dated as of July 19, 2006, by and among WPCS International Incorporated, Southeastern Communication Service, Inc., Daniel G. Lester, Christopher P. Lester, Thomas A. Lester, Michael D. Lester, Karl F. Eickmeyer and Anthony Ankersmit, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed July 20, 2006.
10.23	Registration Rights Agreement, dated as of July 19, 2006, by and among WPCS International Incorporated, Southeastern Communication Service, Inc., Daniel G. Lester, Christopher P. Lester, Thomas A. Lester, Michael D. Lester, Karl F.Eickmeyer and Anthony Ankersmit, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed July 20, 2006.

10.24	Form of Securities Purchase Agreement, dated as of January 30, 2007, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed February 1, 2007.
10.25	Form of Registration Rights Agreement, dated as of January 30, 2007, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed February 1, 2007
10.26	Stock Purchase Agreement, dated as of March 30, 2007, by and among WPCS International Incorporated, Voacolo Electric Incorporated, Jeffrey Voacolo, David Voacolo, Joseph Voacolo and Tracy Hossler, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
10.27	Registration Rights Agreement, dated as of March 30, 2007, by and among WPCS International Incorporated, Voacolo Electric Incorporated, Jeffrey Voacolo, David Voacolo, Joseph Voacolo and Tracy Hossler, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
10.28	Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and Jeffrey Voacolo, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
10.29	Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and David Voacolo, incorporated by reference to Exhibit 10.5 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
10.30	Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and Joseph Voacolo, incorporated by reference to Exhibit 10.6 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
10.31	Interest Purchase Agreement, dated as of April 5, 2007, by and among WPCS International Incorporated, American Gas Services, Inc. and American Gas Services, Inc. Consultants, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 9, 2007.
10.32	Loan Agreement, dated April 10, 1007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company., Inc., Southeastern Communication Service, Inc., and Walker Comm, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's amended current report on Form 8-K/A, filed April 17, 2007.
10.33	Security Agreement, dated April 10, 1007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company., Inc., Southeastern Communication Service, Inc., and Walker Comm, Inc., incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's amended current report on Form 8-K/A, filed April 17, 2007.
10.34	Non-binding letter of intent setting forth the agreement and understanding as to the terms of the acquisition of Major electric, Inc, dated June 14, 2007, filed herewith.
10.35	Non-binding letter of intent setting forth the agreement and understanding as to the terms of the acquisition of Max Engineering LLC, dated June 25, 2007, filed herewith.
10.36	Employment Agreement, effective as of April 1, 2007, between WPCS International Incorporated and Charles Madenford, filed herewith.
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, Independent Registered Public Accounting Firm.

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the years ended April 30, 2007, 2006 and 2005

(A) Description	(B) Balance at Beginning of Period	(C) Additions Charged to Costs and Expenses	(D) Deductions		(E) Balance at end of Period
Allowance for Doubtful Accounts					
April 30, 2005	$ 61,779	$ 17,037	($3,030)	(1)	$ 75,786
April 30, 2006	75,786	35,877	(6,877)	(1)	104,786
April 30, 2007	$ 104,786	-	($6,000)	(1)	$ 98,786

(1). Write-off of uncollectible accounts.

SIGNATURES

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

WPCS INTERNATIONAL INCORPORATED

Date: July 30, 2007

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer (Principal Executive Officer)

Date: July 30, 2007

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer (Principal Accounting Officer)

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

Name	Position	Date
/s/ ANDREW HIDALGO Andrew Hidalgo	Chairman of the Board	July 30, 2007
/s/ NORM DUMBROFF Norm Dumbroff	Director	July 30, 2007
/s/ NEIL HEBENTON Neil Hebenton	Director	July 30, 2007
/s/ GARY WALKER Gary Walker	Director	July 30, 2007
/s/ WILLIAM WHITEHEAD William Whitehead	Director	July 30, 2007

Exhibit 10.34

Major Electric Incorporated June 14, 2007
18538 142nd Avenue NE
Woodinville, WA 98072

Re: Acquisition

This non-binding letter of intent (the "LOI") sets forth the agreement and understanding as to the terms of the acquisition of Major Electric Incorporated, a Washington corporation, together with any owned operations ("MEI"), by WPCS International Incorporated, a Delaware corporation ("WPCS"):

General Conditions:

WPCS will acquire 100% of the issued and outstanding capital stock of MEI. In consideration for such sale, WPCS will deliver, at the closing of this transaction (the "Closing Date"), $4,000,000 to the shareholders of MEI (the "Purchase Price") as such amount may be adjusted as set forth herein, of which $3,000,000 will be in U.S. dollars ("Cash") and $1,000,000 in WPCS common stock (the "Closing Payment"). The common stock will be valued at the NASDAQ closing price for WPCS on the day prior to the Closing Date and will be issued with demand registration rights. In addition, WPCS will deliver $2,750,000 (the "Additional Purchase Price") in Cash and/or stock with demand registration rights at the discretion of WPCS, to the shareholders of MEI in the event MEI achieves an EBIT of $1,500,000 for their fiscal year 2007 ending December 31, 2007. The Additional Purchase Price will be capped and prorated against achievement on a one to one basis. WPCS will review and validate the results and will pay the Additional Purchase Price amount within ninety days after December 31, 2007.

Notwithstanding the foregoing, the Purchase Price shall be adjusted by an amount equal to the variation of a $1,900,000 net tangible asset value for MEI as of the Closing Date. Net Tangible Asset Value (NTAV) is defined as total assets minus total liabilities minus intangible assets. Any shortfall below $1,900,000 in NTAV shall proportionately reduce the Closing Payment. Any excess above $1,900,000 in NTAV shall be paid to the MEI shareholders in WPCS common stock with demand registration rights or Cash at the discretion of WPCS.

An amount equal to $300,000 in Cash shall be held in escrow pending determination of the net tangible asset value for MEI as of the Closing Date, which shall be calculated by WPCS within 90 days of the Closing Date and distributed with adjustments, if any, within five days after the date of such determination.

Additional Conditions:

- WPCS will offer Frank Mauger a one-year employment agreement, with mutually agreeable terms, as president of MEI with a salary of $150,000 per annum and an annual discretionary bonus based on MEI EBIT performance. In addition, he will receive a monthly car allowance of $500. WPCS will offer a two-year employment agreement, with mutually agreeable terms, for Jim Jordan as vice president and general manager and Todd Kahl as vice president of sales. Jim Jordan will receive a $130,000 base salary per annum and Todd Kahl will receive a $125,000 base salary per annum. Each will receive an annual discretionary bonus based on MEI EBIT performance.

- The MEI Board of Directors will consist of one MEI designee and two WPCS designees.

- Prior to the Closing Date, MEI will develop a mutually acceptable income projection for the WPCS fiscal period ending April 30, 2008.

- The MEI shareholders will be responsible for their own legal costs and fees for this transaction. WPCS will bear the expense of its accounting/legal due diligence and accounting audit conversions. WPCS will also prepare all the Definitive Agreements for this transaction.

- WPCS will continue to support all MEI employee benefit programs and will convert the employees to the corporate wide WPCS 401(k) plan. In addition, WPCS will make a grant allocation for stock options to be distributed to MEI employees by Frank Mauger.

- WPCS will need satisfactory confirmation of the MEI backlog, add-backs, key client relationships and the tangibility of assets.

- Any MEI financial obligations that are non-business related will be transferred to the entity of benefit.

- Prior to the Closing Date, MEI will not enter into any material obligations or new compensatory arrangements without the consent of WPCS. Material obligations do not include expenses incurred in the normal course of operations.

- The acquisition agreement and related documents (collectively, the “Definitive Agreements”) will contain representations, warranties, covenants, including non-competition and confidentiality covenants, conditions to close and indemnities usual to a transaction of this nature, including representations and warranties made by the MEI shareholders.

- MEI shall delivery the financial statements required by WPCS for SEC filing purposes.

- MEI and WPCS must execute a confidentiality/standstill agreement.

- All parties will use their best efforts to complete the transaction outlined above as soon as possible. It is expected that an acquisition agreement will be executed and the transaction will close on or before August 1, 2007 but no later than August 31, 2007.

- MEI agrees to conduct its business in accordance with the ordinary, usual and normal course of business heretofore conducted by MEI.

- The conclusion of this transaction is subject to approval and executed resolution of the board of directors for MEI and WPCS respectively.

This Letter of Intent may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Letter of Intent constitutes the entire agreement of the parties covering everything agreed upon or understood in this transaction and will only be superseded by the Definitive Agreements.

If the foregoing accurately reflects our discussions, please execute and return to the undersigned one copy of this letter along with the duly executed confidentiality/standstill agreement.

WPCS International Incorporated

/s/ Andrew Hidalgo

Andrew Hidalgo / CEO

6/14/07
Date

Major Electric Incorporated

/s/ Frank Mauger

Frank Mauger / President

6/14/07
Date

Exhibit 10.35

Max Engineering LLC
9000 SW Freeway, Suite 410
Houston, TX 77074

June 20, 2007

Re: Acquisition

This non-binding letter of intent (the "LOI") sets forth the agreement and understanding as to the terms of the acquisition of Max Engineering LLC, a Texas corporation, together with any owned operations ("MAX"), by WPCS International Incorporated, a Delaware corporation ("WPCS"):

General Conditions:

WPCS will acquire 100% of the issued and outstanding capital stock of MAX. In consideration for such sale, WPCS will deliver, at the closing of this transaction (the "Closing Date"), $800,000 to the shareholders of MAX (the "Purchase Price") as such amount may be adjusted as set forth herein, of which $600,000 will be in U.S. dollars ("Cash") and $200,000 in WPCS common stock (the "Closing Payment"). In addition, WPCS will deliver $350,000 in Cash and/or WPCS common stock, at the discretion of WPCS, to the shareholders of MAX in the event MAX achieves an EBIT of $275,000 for the first twelve month period after the Closing Date and WPCS will deliver $375,000 in Cash and/or WPCS common stock, at the discretion of WPCS, to the shareholders of MAX in the event MAX achieves an EBIT of $375,000 for the second successive twelve month period after the Closing Date (the "Additional Purchase Price"). The Additional Purchase Price will be capped and prorated against achievement on a one to one basis and each year will stand alone. WPCS will review and validate the results and will pay the Additional Purchase Price amount within ninety days after each twelve month ending period. Anytime WPCS common stock is used for payment for this transaction, the stock will have demand registration rights and be valued at the NASDAQ closing price for WPCS on the day prior to issuance.

Notwithstanding the foregoing, the Purchase Price shall be adjusted by an amount equal to the variation of a $288,000 net tangible asset value for MAX as of the Closing Date. Net Tangible Asset Value (NTAV) is defined as total assets minus total liabilities minus intangible assets. Any shortfall below $288,000 in NTAV shall proportionately reduce the Closing Payment. Any excess above $288,000 in NTAV shall be paid to the MAX shareholders in Cash.

An amount equal to $120,000 in Cash shall be held in escrow pending determination of the net tangible asset value for MAX as of the Closing Date, which shall be calculated by WPCS within 90 days of the Closing Date and distributed with adjustments, if any, within five days after the date of such determination.

Additional Conditions:

- WPCS will offer Hak-Fong Ma a two-year employment agreement, with mutually agreeable terms, as president of MAX with a salary of $60,000 per annum. Also, WPCS will offer a two-year employment agreement, with mutually agreeable terms, to Robert Winterhalter as senior vice president with a salary of $60,000 per annum.

- The MAX Board of Directors will consist of two MAX designees and three WPCS designees.

- Just after the Closing Date, MAX will develop a mutually acceptable income projection for the WPCS fiscal period ending April 30, 2008.

- The MAX shareholders will be responsible for their own legal costs and fees for this transaction. WPCS will bear the expense of its accounting/legal due diligence and accounting audit conversions. WPCS will also prepare all the Definitive Agreements for this transaction.

- WPCS will continue to support all MAX employee benefit programs and will convert the employees to the corporate wide WPCS 401(k) plan. In addition, WPCS will make a grant allocation for stock options to be distributed to MAX employees by Hak-Fong Ma.

- WPCS will need satisfactory confirmation of the MAX key client relationships and the tangibility of assets.

- Any MAX financial obligations that are non-business related will be transferred to the entity of benefit.

- Prior to the Closing Date, MAX will not enter into any material obligations or new compensatory arrangements without the consent of WPCS. Material obligations do not include expenses incurred in the normal course of operations.

- The acquisition agreement and related documents (collectively, the “Definitive Agreements”) will contain representations, warranties, covenants, including non-competition and confidentiality covenants, conditions to close and indemnities usual to a transaction of this nature, including representations and warranties made by the MAX shareholders.

- MAX shall delivery the financial statements required by WPCS for SEC filing purposes.

- MAX and WPCS must execute a confidentiality/standstill agreement.

- All parties will use their best efforts to complete the transaction outlined above as soon as possible. It is expected that an acquisition agreement will be executed and the transaction will close on or before August 1, 2007 but no later than August 31, 2007.

- MAX agrees to conduct its business in accordance with the ordinary, usual and normal course of business heretofore conducted by MAX.

- The conclusion of this transaction is subject to approval and executed resolution of the board of directors for MAX and WPCS respectively.

This Letter of Intent may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Letter of Intent constitutes the entire agreement of the parties covering everything agreed upon or understood in this transaction and will only be superseded by the Definitive Agreements.

If the foregoing accurately reflects our discussions, please execute and return to the undersigned one copy of this letter along with the duly executed confidentiality/standstill agreement.

WPCS International Incorporated	**Max Engineering LLC**
/s/ Andrew Hidalgo	/s/ Hak-Fong Ma
Andrew Hidalgo / CEO	Hak-Fong Ma / President
6/25/07	6/22/07
Date	Date

Exhibit 10.36

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of April, 2007 (the "Effective Date").

AMONG:

WPCS INTERNATIONAL INCORPORATED, a corporation formed pursuant to the laws of the State of Delaware and having an office for business located at One East Uwchlan Avenue, Exton, PA 19341 ("Employer");

AND

CHARLES H. MADENFORD, an individual having an address at 10556 Combie Road, Auburn, CA 95602 ("Employee")

WHEREAS, Employee has agreed to continue to serve as an Employee 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 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 Executive Vice 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 faithfully, diligently and to the best of his ability, under the direction and supervision of the President of Employer and shall use his best efforts to promote the interests and goodwill of Employer and any affiliates, successors, assigns, subsidiaries, and/or future purchasers of Employer. 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 President of Employer, as Employer may from time to time reasonably require of him, and shall devote all of his business time to the performance thereof. Employee shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the President.

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 through the Clayborn Contracting Group (“CCG”) subsidiary an annual salary (the “Salary”) of One Hundred Fifty Thousand Dollars ($150,000.00), 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.

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 the CCG subsidiary 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 through the CCG subsidiary 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.

Automobile

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

Bonus

4.5
In addition to the Salary, Employee shall be entitled to receive through the CCG subsidiary an annual bonus equal to 3% (the "Bonus") of the consolidated annual operating income, before the deduction of interest and taxes of designated subsidiaries as assigned by Employer. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of each designated subsidiary, as calculated based on U.S. generally accepted accounting principles and as audited by the Employer’s accounting firm at year end. Any Bonus amount will be payable within thirty (30) days from completion of the audit. Employee shall have the right to review and independently verify the conclusions of any audit by delivering notice in writing to Employer within 30 days after receipt of such audit indicating that Employee wishes to exercise his right of review and verification. Within 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. If Employee disputes the results of the audit, he shall, within 20 days after notice is delivered by Employee to Employer that there exist a dispute, be submitted to arbitration as set forth below. . Employer can assign subsidiaries at its sole discretion.

Arbitration

4.6
Any unresolved disputes in regards to the Bonus due from Employer to Employee will be subject to arbitration by an independent chartered accountant mutually chosen by Employer and Employee at an expense equally borne by both parties. The parties shall, within 20 days after appointment of the Arbitrator present their written position and related evidence with respect to the unresolved disputes. The Arbitrator shall review evidence accordingly and submit a written decision which shall be final and binding on the parties within 20 days after submission of such evidence. The Arbitrator shall comply, and the arbitration shall be conducted in accordance with, the Commercial Arbitration Rules of American Arbitration Association then in force.

ARTICLE 5
OTHER EMPLOYMENT

During the Term of this Agreement, Employee shall devote substantially all of his business and professional time and effort, attention, knowledge, and skill to the management, supervision and direction of Employer's business and affairs as Employee's 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. Provided that the activities listed below do not materially interfere with the duties and responsibilities under this Agreement, nothing in this Agreement shall preclude Employee from devoting reasonable periods required for:

(a) Serving as a member of any organization involving no conflict of interest with Employer, provided that Employee must obtain the written consent of Employer;

(b) Serving as a consultant in his area of expertise to government, commercial 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

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 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, 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 information in the public domain at the time of the disclosure of such information by Employee or information that is disclosed by Employee with the prior consent of Employer.

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, not copied, 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 immediate family in any business that is reasonably known to Employee to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Employer or to any of its suppliers or customers.

ARTICLE 7
COVENANT NOT TO COMPETE

Except as expressly permitted in Article 5 above, during the Term of this Agreement, (a) Employee shall not engage, directly or indirectly, in any business or activity competitive to any business or activity engaged in, or proposed to be engaged in, by Employer or (b) soliciting or taking away or interfering with any contractual relationship of any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor of Employer, or 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 one (1) year following the date this Agreement is terminated. In addition, during the one-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. Notwithstanding the foregoing, if this Agreement is terminated upon the dissolution of Employer, the filing of a petition in bankruptcy by Employer or upon an assignment for the benefit of creditors of the assets of Employer, Articles 6, 7 and 9 shall be of no further force or effect.

ARTICLE 9
INJUNCTIVE RELIEF

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

ARTICLE 10
TERMINATION

Termination by Employee

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

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 Executive Vice 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 President of Employer;

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

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

(vii) the failure of Employer to obtain the assumption in writing of its obligation to perform the Employment Agreement by any successor to all or substantially all of the assets of Employer or upon a merger, consolidation, sale or similar transaction of Employer or;

(viii) the voluntary or involuntary dissolution of Employer, the filing of a petition in bankruptcy by Employer or upon an assignment for the benefit of creditors of the assets of Employer.

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 without making disclosure to and obtaining the prior written consent of Employer. The written notice given hereunder by Employer to Employee shall specify in reasonable detail the cause for termination. In the case of a termination for the causes described in (a) and (d) above, such termination shall be effective upon receipt of the written notice. In the case of the causes described in (b) and (c) above, such termination notice shall not be effective until thirty (30) days after Employee's receipt of such notice, during which time Employee shall have the right to respond to 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 five (5) business days of the expiration of any applicable cure period. If the termination of Employee hereunder is by Employer without cause, the Severance Payment shall be paid by Employer within five (5) business days of termination. The "Severance Payment" shall equal the 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).

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.

Termination Upon Disability

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

ARTICLE 11
PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies and benefit plans which apply generally to Employer's employees as the same may be interpreted, adopted, revised or deleted from time to time, during the Term of this Agreement, by Employer in its sole discretion. During the Term hereof, Employee shall be entitled to vacation during each year of the Term at the rate of three (3) weeks per year. Employee shall take such vacation at a time approved in advance by Employer, 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 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 California, without regard to any conflict-of-laws principles. Employer and Employee hereby consent to personal jurisdiction before all courts in the State of California, and hereby acknowledge and agree that California is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

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

Severability

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

Headings

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

Independent Legal Advice

13.7
Employer has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice with respect to same before executing this Agreement. Employee, in executing this Agreement, represents and 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 Employer.

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

Employer:

By: /s/ Andrew Hidalgo

Andrew Hidalgo
President & CEO
WPCS International Incorporated

Employee:

By: /s/ Charles H. Madenford

Charles H. Madenford

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Subsidiary	State of Incorporation
Clayborn Contracting Group, Inc.	California
Heinz Corporation	Missouri
Invisinet, Inc.	Delaware
New England Communication Systems, Inc.	Connecticut
Quality Communications & Alarm Company, Inc.	New Jersey
Southeastern Communication Service, Inc.	Florida
Voacolo Electric, Inc.	New Jersey
Walker Comm, Inc.	California
Taian AGS Pipeline Construction Co. Ltd. (60% ownership interest)	Shandong Province People's Republic of China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-128488 on Form S-8 of our report dated July 24, 2007, relating to the consolidated financial statements and financial statement schedule of WPCS International Incorporated and Subsidiaries, which report expressed an unqualified opinion and includes an explanatory paragraph relating to the adoption of the provisions of FASB Statement No. 123R, *Share-Based Payments,* appearing in this Annual Report on Form 10-K of WPCS International Incorporated and Subsidiaries for the year ended April 30, 2007.

/*s*/ J.H. Cohn LLP

Roseland, New Jersey
July 27, 2007

EXHIBIT 31.1

CERTIFICATIONS

I, Andrew Hidalgo, certify that:

1) I have reviewed this annual report on Form 10-K of WPCS International Incorporated.

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) [paragraph omitted in accordance with SEC transition instruction contained in SEC Release 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2007

/s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Joseph Heater, certify that:

1) I have reviewed this annual report on Form 10-K of WPCS International Incorporated.

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) [paragraph omitted in accordance with SEC transition instruction contained in SEC Release 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2007

/s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
WPCS INTERNATIONAL INCORPORATED
FORM 10-K FOR THE YEAR ENDED APRIL 30, 2007
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Chief Executive Officer of WPCS International Incorporated, a Delaware corporation (the "Company"). I am delivering this certificate in connection with the Form 10-K of the Company for the year ended April 30, 2007 and filed with the Securities and Exchange Commission ("Form 10-K").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2007

/s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
WPCS INTERNATIONAL INCORPORATED
FORM 10-K FOR THE YEAR ENDED APRIL 30, 2007
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Chief Financial Officer of WPCS International Incorporated, a Delaware corporation (the "Company"). I am delivering this certificate in connection with the Form 10-K of the Company for the year ended April 30, 2007 and filed with the Securities and Exchange Commission ("Form 10-K").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2007

/s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer