

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934**

**Date of report (date of earliest event reported): December 15, 2009**

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

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

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

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

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

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

**Copy of correspondence to:**

Marc J. Ross, Esq.  
Thomas A. Rose, Esq.  
James M. Turner, Esq.  
Sichenzia Ross Friedman Ference LLP  
61 Broadway  
New York, New York 10006  
Tel: (212) 930-9700 Fax: (212) 930-9725

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

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

On December 15, 2009, WPCS International Incorporated (the "Company") announced its operating results for the second fiscal quarter ended October 31, 2009. A copy of the press release that discusses this matter is filed as Exhibit 99.1 to, and incorporated by reference in, this report. The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in any such filing.

**ITEM 7.01 Regulation FD Disclosure.**

On December 15, 2009, the Company held an earnings conference call to discuss its unaudited financial results for the second quarter ended October 31, 2009. The script of the earnings conference call is attached hereto as Exhibit 99.2 and is incorporated by reference into this Item 7.01.

**ITEM 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

99.1 Press Release, dated December 15, 2009, issued by WPCS International Incorporated.

99.2 Script of December 15, 2009 Earnings Conference Call.

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**SIGNATURE**

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

**WPCS INTERNATIONAL INCORPORATED**

Date: December 15, 2009

By: /s/ JOSEPH HEATER

Joseph Heater  
Chief Financial Officer

## WPCS Reports FY2010 Second Quarter Financial Results

**EXTON, PA - (PR Newswire-First Call) - - December 15, 2009 - NASDAQ: WPCS -News** - WPCS International Incorporated (NASDAQ: WPCS), a leader in design-build engineering services for communications infrastructure, today announced financial results for the second quarter of fiscal year 2010 ended October 31, 2009. For the second quarter, WPCS reported revenue of \$24.3 million compared to \$28.8 million for the same period a year ago. WPCS reported net income of \$337,000 or \$0.05 per diluted share for the second quarter compared to \$362,000 or \$0.05 per diluted share for the same period a year ago. Year to date through the six months ended October 31, 2009 WPCS reported revenue of \$49.6 million compared to \$57.0 million for the same period a year ago. For the six month period, the reported net income was \$772,000 or \$0.11 per diluted share compared to net income of \$1.2 million or \$0.17 per diluted share for the same period a year ago.

Andrew Hidalgo, CEO of WPCS, commented, "The second quarter results fell within our expectations and the company is reaffirming its guidance for fiscal year 2010, which is a range of \$0.31 to \$0.34 in earnings per share. Our backlog remained relatively flat at \$28 million at the end of the second quarter, however, our bids have increased substantially to \$245 million which is an indication that we are beginning to see a more robust level of activity. Due to this increase in bid activity, we expect our backlog to grow accordingly over the next few quarters. From an operating income perspective, a positive highlight in the second quarter was the achievement of a 31% gross margin. WPCS continues to maintain a healthy balance sheet with \$22.3 million in working capital, \$5.6 million in credit line borrowing and \$8.5 million in cash. In addition, the credit line borrowing to working capital ratio remains favorably low at 25%. Accounts receivable remained stable with day sales outstanding of 70 days. In summary, the company feels confident that the second half of the fiscal year will show improvement over the first half of the fiscal year."

As a reminder, there will be an investor conference call at 5:00 pm ET today. To participate on the conference call, please dial 888-299-4099 for calls within the U.S. and 302-709-8337 for calls from international locations. Upon reaching the operator, verbally transmit the participant code VH12354. Andrew Hidalgo, CEO of WPCS, will be discussing the company's financial results, market conditions and strategic outlook. When the overview concludes, your questions can be asked by pressing \*1 and your questions can be removed from the queue by pressing the number sign. Replays of the conference call will be available for a period of five days by dialing 402-220-2946 and using 12354 # as the pass code.

About WPCS International Incorporated:

WPCS is a design-build engineering company that focuses on the implementation requirements of communications infrastructure. The company provides its engineering capabilities including wireless communication, specialty construction and electrical power to the public services, healthcare, energy and corporate enterprise markets worldwide. For more information, please visit [www.wpcs.com](http://www.wpcs.com)

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

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**CONTACT:**

WPCS International Incorporated  
610-903-0400 x101  
[ir@wpcs.com](mailto:ir@wpcs.com)

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WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2009	2008	2009	2008
REVENUE	\$ 24,301,560	\$ 28,767,681	\$ 49,585,343	\$ 57,035,212
<b>COSTS AND EXPENSES:</b>				
Cost of revenue	16,752,484	21,421,304	34,910,296	41,606,178
Selling, general and administrative expenses	6,286,661	5,945,671	12,140,145	11,883,160
Depreciation and amortization	658,199	651,039	1,308,143	1,340,181
Total costs and expenses	23,697,344	28,018,014	48,358,584	54,829,519
OPERATING INCOME	604,216	749,667	1,226,759	2,205,693
<b>OTHER EXPENSE (INCOME):</b>				
Interest expense	78,277	136,681	140,637	248,284
Interest income	(1,612)	(22,073)	(3,531)	(48,112)
INCOME BEFORE INCOME TAX PROVISION	527,551	635,059	1,089,653	2,005,521
Income tax provision	254,605	253,299	492,687	744,204
NET INCOME	272,946	381,760	596,966	1,261,317
Less: Net (loss) income attributable to noncontrolling interest	(63,841)	19,950	(174,738)	61,196
NET INCOME ATTRIBUTABLE TO WPCS	\$ 336,787	\$ 361,810	\$ 771,704	\$ 1,200,121
Basic net income per common share attributable to WPCS	\$ 0.05	\$ 0.05	\$ 0.11	\$ 0.17
Diluted net income per common share attributable to WPCS	\$ 0.05	\$ 0.05	\$ 0.11	\$ 0.17
Basic weighted average number of common shares outstanding	6,942,266	7,251,083	6,942,266	7,251,083
Diluted weighted average number of common shares outstanding	6,976,256	7,262,419	6,968,524	7,259,353

**WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	<b>October 31,</b>	<b>April 30,</b>
	<b>2009</b>	<b>2009</b>
	(Unaudited)	Note 1
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,511,319	\$ 6,396,810
Accounts receivable, net of allowance of \$105,889 and \$155,458 at October 31, 2009 and April 30, 2009, respectively	24,728,415	25,662,784
Costs and estimated earnings in excess of billings on uncompleted contracts	4,034,783	5,229,043
Inventory	3,093,949	2,481,383
Prepaid expenses and other current assets	2,344,190	1,674,952
Prepaid income taxes	-	295,683
Deferred tax assets	268,922	70,413
Total current assets	<u>42,981,578</u>	<u>41,811,068</u>
PROPERTY AND EQUIPMENT, net	6,498,162	6,668,032
OTHER INTANGIBLE ASSETS, net	1,823,932	1,983,879
GOODWILL	33,094,959	32,549,186
OTHER ASSETS	132,204	132,948
Total assets	<u>\$ 84,530,835</u>	<u>\$ 83,145,113</u>

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WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND EQUITY	October 31, 2009 (Unaudited)	April 30, 2009 Note 1
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 54,662	\$ 89,210
Borrowings under line of credit	5,626,056	5,626,056
Current portion of capital lease obligations	93,298	96,001
Accounts payable and accrued expenses	8,894,587	8,997,296
Billings in excess of costs and estimated earnings on uncompleted contracts	2,164,517	2,511,220
Deferred revenue	640,156	507,650
Due to shareholders	2,988,674	2,951,008
Income taxes payable	190,423	-
Total current liabilities	<u>20,652,373</u>	<u>20,778,441</u>
Loans payable, net of current portion	51,511	71,634
Capital lease obligations, net of current portion	106,786	151,425
Deferred tax liabilities	1,565,866	1,467,971
Total liabilities	<u>22,376,536</u>	<u>22,469,471</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock - \$0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock - \$0.0001 par value, 25,000,000 shares authorized, 6,942,266 shares issued and outstanding at October 31, 2009 and April 30, 2009, respectively	694	694
Additional paid-in capital	50,246,439	50,175,479
Retained earnings	10,152,893	9,381,189
Accumulated other comprehensive income (loss) on foreign currency translation	488,933	(321,798)
Total WPCS shareholders' equity	<u>60,888,959</u>	<u>59,235,564</u>
Noncontrolling interest	1,265,340	1,440,078
Total equity	<u>62,154,299</u>	<u>60,675,642</u>
Total liabilities and equity	<u>\$ 84,530,835</u>	<u>\$ 83,145,113</u>

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

**[OPERATOR]**

Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the WPCS International Incorporated fiscal year 2010 second quarter investor conference call. Your host for today's call is Andy Hidalgo, chairman and CEO of WPCS International Incorporated. Before I turn the call over to Mr. Hidalgo, please be advised that the participants on today's call will be in a listen only mode until Mr. Hidalgo has concluded his opening remarks. Upon conclusion of the opening remarks, there will be a question and answer session.

In addition, we would like to note that statements about the company's future expectations, including future revenue and earnings and all other statements made during this investor conference call, other than historical facts, are forward looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and are subject to change at any time. The company's actual results could differ materially from expected results. In reflecting subsequent events or circumstances, the company undertakes no obligation to update forward looking statements. I will now turn the call over to Mr. Hidalgo.

**[ANDY HIDALGO]**

Good afternoon ladies and gentlemen and welcome to our fiscal year 2010 second quarter investor conference call. The agenda for today's call will include a discussion of our second quarter financial results and our fiscal year 2010 financial expectations. In addition, I will discuss market conditions and conclude with a review of our strategic development.

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During our fiscal year 2010 second quarter ended October 31, 2009, WPCS reported net income of \$337,000 or earnings of \$0.05 per diluted share compared to net income of \$362,000 or earnings of \$0.05 per diluted share during the same period last year. For the first six months of fiscal year 2010 ended October 31, 2009, WPCS reported net income of \$772,000 or earnings of \$0.11 per diluted share compared to net income of \$1.2 million or earnings of \$0.17 per diluted share during the same period last year.

Revenue for the second quarter was \$24.3 million compared to \$28.8 million during last year's second quarter. Revenue for the first six months of fiscal year 2010 was \$49.6 million compared to \$57 million during the same period last year. The revenue segmentation during the second quarter was 31% wireless communication, 7% specialty construction and 62% electrical power.

WPCS is reaffirming its guidance for fiscal year 2010 of \$112 million in revenue, \$2.2 million to \$2.4 million in net income and \$0.31 to \$0.34 in fully diluted earnings per share. When we issued guidance for fiscal year 2010, we anticipated that the higher earnings per share contribution would come in the second half of the year due to the protracted project awards in the fiscal stimulus public services sector. Therefore, we still feel confident that our guidance can be achieved.

Consolidated gross margin during the second quarter was 31% compared to 26% during the same period last year. Through the first six months of fiscal year 2010, the consolidated gross margin has averaged 30%. The increase in gross margin is a very positive sign for our company. SG&A expense as a percent of revenue for the second quarter was approximately 26% compared to 21% last year and 25% compared to 21% for the first six months of fiscal year 2010. However, the increase in SG&A as a percentage of revenue is due primarily to lower revenue production.

In regards to our balance sheet, WPCS continues to maintain a strong position with \$8.5 million in cash, \$22.3 million in working capital and \$5.6 million of credit line borrowings. Our credit line borrowing to working capital ratio remains favorably low at 25%. We continue to view this ratio as an important indicator of our financial strength and ability to finance our growth from our operations. WPCS has generated \$3 million in cash from operations for the first six months of fiscal year 2010 ended October 31, 2009. Accounts receivable collections remain stable with DSOs averaging 70 days, which is within our expectations.

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As of October 31, 2009, WPCS had a backlog of approximately \$28 million and a bid list of \$245 million. We are not completely satisfied with our current backlog level and the time it is taking to convert our bid activity to backlog, however, our bid activity is at a record level. As a result of this increased bid activity, we expect that our backlog will grow accordingly over the next few quarters. The primary delay in converting bids to backlog remains the allocation of fiscal stimulus funds for public services projects. Most states have been allocated their percentage of fiscal stimulus and now the determination is being made by each state as to which projects receive approvals. It has been a long and arduous process but one that is beginning to manifest. WPCS feels confident that we will receive our fair share of project awards in the near future which, in our opinion, should have a positive effect on our revenue production in the quarters ahead.

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Overall, we are pleased with the second quarter results. WPCS continues to generate profitability through these economic times. Our strategy of focusing on the public services, healthcare, energy and international markets combined with continued cost efficiencies from our operations is proving to be our foundation for solid financial performance. We see growth opportunities ahead and the chance of building earnings per share. No one is exactly sure when we will see a full economic recovery but WPCS is positioning itself well for the future.

Looking at the market in general, communication systems for voice, data and video remain the critical backbone of global economic expansion. New communications technology is being introduced each year for wireless and landline systems. Communication networks need to be upgraded and in many areas, new technology needs to be implemented. Someone has to design and build the infrastructure to support this communications technology as it is a blend of many different products and requires a diverse set of skills and certifications. Companies that offer complete high-level communications infrastructure services are unique and in demand. WPCS has positioned itself as one of those companies. We maintain an outstanding reputation for delivering the highest quality of services. Our customer base continues to expand and the market is anticipating significant growth over the next several years. With twelve operation centers on three continents, WPCS is positioned well to take advantage of this growth and generate earnings while building shareholder value.

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In regards to our strategic development, WPCS is focused on organic growth opportunities but is also looking for acquisitions that can strengthen our engineering capability, add to our customer base and expand our geographic scope. As a company, we have successfully acquired, assimilated and branded nineteen companies in the last seven years. In regards to future acquisitions, we are particularly interested in the China and Australia markets as both countries are generating positive GDP growth rates with a strong currency and a strong market for our services. We just announced the acquisition of The Pride Group of Queensland, Australia which is a leading communications infrastructure company in that country. With the acquisition of The Pride Group, our international sales have now reached \$14 million on an annual run rate basis.

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In conclusion, WPCS is building a foundation of consistent profitability and efficiency as we plan for a higher level of earnings growth while expanding our design-build engineering services for communications infrastructure on a global scale. The WPCS management team feels confident that the future will continue to bring opportunity and improved earnings for our shareholders.

I would like to now turn the call over to the operator to begin the question and answer session.

**[OPERATOR]**

We will now begin the question and answer session. You can submit your question by pressing \*1 and can be removed from the queue by pressing the # sign.

If there are no further questions, I would like to thank all the participants on today's WPCS International Incorporated fiscal year 2010 second quarter investor conference call. Please keep in mind that a replay of this investor conference call will be available for a period of five days by dialing 402-220-2946 and entering 12354 # as the program identification number. This will conclude the call.