

**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 16, 2013

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-34643
(Commission
File Number)

98-0204758
(IRS Employer
Identification No.)

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

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

Copy of correspondence to:

Harvey Kesner, 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 16, 2013, WPCS International Incorporated (the "Company") announced its operating results for the second fiscal quarter ended October 31, 2013. A copy of the press release that discusses this matter is filed as Exhibit 99.01 to, and incorporated by reference in, this report. The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.01 Press Release, dated December 16, 2013, issued by WPCS International Incorporated.

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 16, 2013

By: /s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer

WPCS Reports 2nd Quarter FY2014 Results

EXTON, PA - (Marketwired – December 16, 2013) -WPCS International Incorporated (NASDAQ: WPCS), which specializes in design-build engineering services for communications infrastructure, today announced financial results for the fiscal year 2014 second quarter ended October 31, 2013. WPCS currently has a backlog of \$25.4 million in orders to fulfill and a bid list of \$40.5 million in potential projects.

For the second quarter of fiscal year 2014 ended October 31, 2013, WPCS reported a net loss of approximately \$473,000 or \$0.37 per diluted share. The net loss for the second quarter ended October 31, 2013, compares to a net loss of \$493,000 or \$0.50 per diluted share, for the same period one year ago, which includes a loss from discontinued operations for the Hartford, Lakewood and Australia operations of approximately \$959,000, or \$.97 per diluted share.

For the six months ended October 31, 2013, WPCS reported a net loss of approximately \$6.4 million or \$5.60 per diluted share which includes a loss from discontinued operations of \$40,000, or \$0.03 per diluted share, related to the pending sale of the Australia Operations, and includes a one-time charge for severance expense of approximately \$1.5 million related to the separation agreement with the company's former CEO, Andy Hidalgo. As part of the separation agreement, WPCS reached agreement with Mr. Hidalgo to acquire the Australia Operations, which is consistent with the company's plan to improve its financial results. The closing is anticipated by January 31, 2014, and is subject to WPCS shareholder approval.

The net loss for the first six months of fiscal 2014 compares to a net income of \$500,000 or \$0.50 per diluted share, for the same period a year ago, which includes income from discontinued operations of approximately \$355,000, or \$0.35 per diluted share, primarily related to the sale of the Hartford and Lakewood Operations.

For the six months ended October 31, 2013, WPCS recorded non-cash charges of approximately \$3.9 million related to the amortization of notes discount and change in fair value of derivative liabilities. In connection with the completion of the \$4 million senior secured convertible note financing facility on December 5, 2012, the conversion features of the notes and the common stock warrants issued were historically considered derivative financial instruments, with the fair value accounted for as derivative liabilities, with the changes in fair value recorded in the financial results each period as a non-cash charge or gain. Effective as of October 31, 2013, WPCS entered into amendments with the holders of its notes and warrants to modify certain features of the notes and warrants which eliminated the derivative liability accounting treatment and permitted the Company to reclassify these former derivative liabilities to stockholders' equity at October 31, 2013. As a result of this reclassification, our stockholders' equity is approximately \$4.5 million as of October 31, 2013, which allowed us to regain compliance with the continued listing requirements of the Nasdaq Capital Market.

Sebastian Giordano, Interim CEO of WPCS, commented, "While we continue to consider and develop organic growth opportunities, we are also seeking opportunities to improve our balance sheet. Since coming on board, we have sought and implemented a number of opportunities for improvement, including: (i) the execution of an aggressive plan over the past several months to stabilize the operations, improve cash flows of the business through, amongst other things, operating cost reductions; (ii) the divestiture of underperforming operations, as evidenced by the sale of the Pride business described above, and the wind-down of the unprofitable Trenton Operations; and (iii) the restructuring of the Notes and Warrants which has enabled the Company to eliminate the former derivative liabilities and rebuild our stockholders' equity to regain compliance with the NASDAQ minimum stockholder equity requirements. As a result, we believe that all of these actions, as well as continuing efforts to improve the Company's performance and financial position, will contribute favorably to providing the Company with an opportunity to deliver improved shareholder value in the future."

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

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

CONTACT:

WPCS International Incorporated
610-903-0400 x104
ir@wpcs.com

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	2012 (Note 1)	2013 (Note 1)	2012 (Note 1)
REVENUE	\$ 7,355,744	\$ 7,958,243	\$ 15,187,127	\$ 19,246,260
COSTS AND EXPENSES:				
Cost of revenue	5,602,337	5,013,329	11,346,996	13,968,212
Selling, general and administrative expenses	1,854,241	2,061,126	3,837,815	4,156,282
Severance expense	-	-	1,474,277	-
Depreciation and amortization	214,895	268,179	457,952	572,286
	<u>7,671,473</u>	<u>7,342,634</u>	<u>17,117,040</u>	<u>18,696,780</u>
OPERATING (LOSS) INCOME	(315,729)	615,609	(1,929,913)	549,480
OTHER EXPENSE (INCOME):				
Interest expense	2,380,885	320,608	3,540,942	441,013
Change in fair value of derivative liabilities	(2,208,155)	-	833,750	-
(Loss) income from continuing operations before income tax provision	(488,459)	295,001	(6,304,605)	108,467
Income tax (benefit) provision	(5,863)	(199,705)	18,288	(65,176)
(LOSS) INCOME FROM CONTINUING OPERATIONS	<u>(482,596)</u>	<u>494,706</u>	<u>(6,322,893)</u>	<u>173,643</u>
Discontinued operations				
Loss from operations of discontinued operations, net of tax provision of \$0, \$215,700, \$0, and \$269,864 respectively	(8,718)	(473,728)	(39,747)	(1,484,142)
(Loss) gain from disposal	-	(485,212)	-	1,839,419
(Loss) income from discontinued operations, net of tax	<u>(8,718)</u>	<u>(958,940)</u>	<u>(39,747)</u>	<u>355,277</u>
CONSOLIDATED NET (LOSS) INCOME	(491,314)	(464,234)	(6,362,640)	528,920
Net (loss) income attributable to noncontrolling interest	(18,310)	29,152	3,434	28,605
NET (LOSS) INCOME ATTRIBUTABLE TO WPCS	<u>(\$ 473,004)</u>	<u>(\$ 493,386)</u>	<u>(6,366,074)</u>	<u>\$ 500,315</u>
Basic and diluted net (loss) income per common share attributable to WPCS:				
(Loss) income from continuing operations attributable to WPCS	(\$ 0.36)	\$ 0.47	(\$ 5.57)	\$ 0.15
(Loss) income from discontinued operations attributable to WPCS	(\$ 0.01)	(\$ 0.97)	(\$ 0.03)	\$ 0.35
Basic and diluted net (loss) income per common share attributable to WPCS	<u>(\$ 0.37)</u>	<u>(\$ 0.50)</u>	<u>(\$ 5.60)</u>	<u>\$ 0.50</u>
Basic weighted average number of common shares outstanding	<u>1,272,877</u>	<u>994,187</u>	<u>1,136,750</u>	<u>994,187</u>
Diluted weighted average number of common shares outstanding	<u>1,272,877</u>	<u>995,469</u>	<u>1,136,750</u>	<u>998,160</u>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	October 31, 2013 <u>(unaudited)</u>	April 30, 2013 <u>(Note 1)</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,498,206	\$ 915,752
Restricted cash	-	1,869,178
Accounts receivable, net of allowance of \$999,643 and \$1,107,593 at October 31, 2013 and April 30, 2013, respectively	9,099,911	7,085,969
Costs and estimated earnings in excess of billings on uncompleted contracts	1,149,409	1,079,367
Deferred contract costs	1,745,324	1,597,894
Prepaid expenses and other current assets	237,962	140,122
Prepaid income taxes	2,185	2,185
Current assets held for sale	1,843,353	1,905,449
Total current assets	<u>15,576,350</u>	<u>14,595,916</u>
PROPERTY AND EQUIPMENT, net	2,370,591	2,754,734
OTHER INTANGIBLE ASSETS, net	-	16,228
OTHER ASSETS	63,347	227,259
OTHER ASSETS HELD FOR SALE	405,542	550,829
Total assets	<u>\$ 18,415,830</u>	<u>\$ 18,144,966</u>

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

LIABILITIES AND EQUITY

	October 31, 2013 (unaudited)	April 30, 2013 (Note 1)
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 46,773	\$ 43,942
Senior secured convertible notes, net of debt discount \$3,400,000 and \$2,888,889, October 31, 2013 and April 30, 2013, respectively	-	1,111,111
Derivative liability - senior secured convertible notes	-	3,088,756
Accounts payable and accrued expenses	4,316,412	4,102,050
Accrued severance expense	1,381,249	-
Billings in excess of costs and estimated earnings on uncompleted contracts	1,998,367	1,619,307
Deferred revenue	420,550	113,503
Other payable	1,533,757	1,743,986
Short-term bank loan	3,283,860	2,432,205
Income taxes payable	46,816	139,557
Current liabilities held for sale	700,430	685,631
Total current liabilities	13,728,214	15,080,048
Loans payable, net of current portion	147,222	133,838
Derivative liability - warrants	-	3,858,508
Total liabilities	13,875,436	19,072,394
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
WPCS EQUITY (DEFICIT):		
Preferred stock - \$0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock - \$0.0001 par value, 14,285,714 shares authorized, 1,308,669 and 994,187 shares issued and outstanding at October 31, 2013 and April 30, 2013, respectively	131	99
Additional paid-in capital	62,803,147	50,844,183
Accumulated deficit	(60,420,463)	(54,054,389)
Accumulated other comprehensive income on foreign currency translation	1,294,816	1,433,541
Total WPCS equity (deficit)	3,677,631	(1,776,566)
Noncontrolling interest	862,763	849,138
Total equity (deficit)	4,540,394	(927,428)
Total liabilities and equity (deficit)	\$ 18,415,830	\$ 18,144,966