UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended April 30, 2016

Commission File Number 001-346438

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

Delaware (State or other jurisdiction of incorporation or organization)		**98-0204758** (I.R.S. Employer Identification No.)
521 Railroad Avenue **Suisun City, California** (Address of principal executive office)	**94585** (Zip Code)	**707-432-1300** (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 Capital Market

Securities registered pursuant to Section 12(g) of the Act: 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 check mark 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

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

The aggregate market value of the voting common equity held by non-affiliates as of October 31, 2015 was $3,609,720, based on the closing sales price of $1.48 per share of Common Stock as quoted on The NASDAQ Capital Market. 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 24, 2016, there were 2,706,159 shares of registrant's common stock outstanding.

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PART I

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (“WPCS”) and its current and former wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". United States-based subsidiaries include or included WPCS International – Suisun City, Inc. (the “Suisun City Operations”), WPCS International – Texas Operations (the ”Texas Operations”), WPCS International – Trenton, Inc. (the “Trenton Operations”), WPCS International – Seattle, Inc. (the “Seattle Operations”) and WPCS International – Portland, Inc. (the “Portland Operations”) and BTX Trader, LLC (“BTX”). International operations include or included WPCS Asia Limited, 60% of Tai’an AGS Pipeline Construction Co. Ltd. (the “China Operations”), and The Pride Group (“QLD”) Pty Ltd. (“Pride”). All of the above subsidiaries, except the Suisun City Operations, Trenton Operations and Texas Operations have been sold and therefore have been included as discontinued operations in our financial statements.

ITEM 1 - BUSINESS

Company Background

WPCS was incorporated in the State of Delaware on December 18, 1997 under the name “Internet International Communications Ltd.” Pursuant to a Certificate of Amendment to the Company’s Certificate of Incorporation filed on December 23, 2004, the name of the Company was changed to WPCS International Incorporated.

Up until September 2015, the Company had been operating in the United States and the People’s Republic of China (the “PRC”), and until September 2013 the Company also operated in Australia through the above-mentioned wholly and majority-owned subsidiaries.

During the last two years the Company has completed a series of divestitures including The Pride Group (QLD) Pty Ltd. (“Pride”), BTX Trader, LLC (“BTX”), WPCS Asia Limited, a 60% joint venture interest in Tai'an AGS Pipeline Construction Co. Ltd. (the “China Operations”), as well as the various transactions involving the sale of substantially all of the assets of each of WPCS International - Seattle, Inc. (“Seattle Operations”), and WPCS International - Portland, Inc. (“Portland Operations”). The results of these subsidiaries, are included as part of discontinued operations for the years ended April 30, 2016 and 2015.

Following the series of divestitures described above, the Company's sole remaining U.S. subsidiaries are the Suisun City Operations and Texas Operations. The Company has therefore now positioned itself to be a full-service low voltage contractor that specializes in the installation and service of Voice & Data Networks, Security Systems, Audio-Visual Solutions, and Distributed Antenna Systems and provides experienced project management and delivers complex projects to key vertical markets that include Healthcare, Education, Transportation, Energy & Utilities, Oil & Gas, Manufacturing, Commercial Real Estate, Financial, Government, etc.

The Company also has formed strategic alliances with technology partners to provide consulting and application software development services for collaboration, visualization and unified communications and is aligned with major manufacturers to provide the products and technology for seamless integrated and enhanced user experience for enterprise solutions.

In addition, from the period of September 30, 2014 through July 20, 2015 the Company completed a series of financing transactions that eliminated all of its convertible and promissory note obligations and settled claims with two unsecured creditors. The results of these transactions served to strengthen the Company's balance sheet and to allow it to execute its ongoing plan, which continues to be to increase revenue, profit and cash flow at our Suisun City Operations and Texas Operations by developing new organic growth opportunities for the Company and seeking viable acquisition and/or merger candidate(s). A summary of those transactions is as follows:

Note Exchanges

On September 30, 2014, the Company entered into an Amendment, Waiver and Exchange Agreement (the "September Exchange Agreement") with Hudson Bay Master Fund Ltd. ("Hudson Bay"), a holder of outstanding notes, warrants and preferred stock of the Company purchased pursuant to a Securities Purchase Agreement dated December 4, 2012 (the "2012 SPA"), an Amendment, Waiver and Exchange Agreement, dated October 25, 2013 (the "2013 Amendment") and a Securities Purchase Agreement dated December 17, 2013, as amended (the "2013 SPA").

Pursuant to the 2012 SPA, Hudson Bay purchased (i) a senior secured convertible note, which as of the date of the September Exchange Agreement (the "Hudson Closing Date"), had an outstanding principal amount of $145,362 (the "2012 Hudson Note"), which was convertible into shares of common stock and (ii) a warrant, which as of the Hudson Closing Date, allowed Hudson Bay to purchase 710,248 shares of common stock (the "2012 Hudson Warrant"). Pursuant to the 2013 Amendment, Hudson Bay acquired a warrant, which as of the Hudson Closing Date, allowed Hudson Bay to purchase 61,760 shares of common stock (the "Amendment Hudson Warrant"). Pursuant to the 2013 SPA, Hudson Bay purchased (i) shares of series E convertible preferred stock (the "Series E Preferred Stock"), which as of the Hudson Closing Date, 794 were owned by Hudson Bay and were convertible into shares of common stock and (ii) a warrant, which as of the Hudson Closing Date, allowed Hudson Bay to purchase 488,603 shares of common stock (the "2013 Hudson Warrant," and together with the 2012 Hudson Warrant and the Amendment Hudson Warrant, the "Hudson Warrants").

Pursuant to the September Exchange Agreement, Hudson Bay exchanged (i) the 2012 Hudson Note for 5,268 shares of newly designated series F convertible preferred stock, par value $0.001 (the “Series F Preferred Stock”); (ii) the Series E Preferred Stock for a promissory note in a principal amount of $794,000 (the “2014 Hudson Note”) and 1,060 shares of series G convertible preferred stock, par value $0.001 (the “Series G Preferred Stock”); and (iii) the Warrants for 1,028 shares of Series G Preferred Stock. The Series F Preferred Stock and Series G Preferred Stock were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended. Certificates of Designation for the Series F Preferred Stock and the Series G Preferred Stock were filed with the Secretary of State of the State of Delaware on the Hudson Closing Date. The terms of the Series F Preferred Stock, the Series G Preferred Stock, and the 2014 Hudson Note are identical to the terms of the Series F-1 Preferred Stock, the Series G-1 Preferred Stock, and the 2014 Note, described below. As of April 30, 2016 all series F and G preferred stock have been converted to shares of the Company’s common stock and no further dividend or make whole dividends are due under this agreement.

On November 20, 2014, the Company entered into Amendment, Waiver and Exchange Agreements (the “November Exchange Agreements”) with eight holders (the “Holders”) of notes, warrants, and preferred stock of the Company purchased pursuant to the 2012 SPA, the 2013 Amendment, and the 2013 SPA.

Pursuant to the 2012 SPA, the Holders purchased (i) senior secured convertible notes, which as of the date of the November Exchange Agreement (the “Closing Date”), had an outstanding aggregate principal amount of $313,568 (collectively, the “2012 Notes”), which were convertible into shares of common stock and (ii) warrants, which as of the Closing Date, allowed the Holders to purchase an aggregate of 1,161,567 shares of common stock (collectively, the “2012 Warrants”). Pursuant to the 2013 Amendment, the Holders exchanged the 2012 Warrants for warrants that allowed the Holders to purchase an aggregate of 1,161,567 shares of common stock (the “Amendment Warrants”). Pursuant to the 2013 SPA, the Holders purchased (i) shares of Series E Preferred Stock, an aggregate of 1,644 of which were owned by the Holders as of the Closing Date and (ii) warrants, which as of the Closing Date, allowed the holders to purchase an aggregate of 1,011,397 shares of common stock (collectively, the “2013 Warrants,” and together with the 2012 Warrants and the Amendment Warrants, the “Warrants”).

Pursuant to the November Exchange Agreements, the Holders exchanged (i) the 2012 Notes for an aggregate of 11,175 shares of newly designated Series F-1 convertible preferred stock, par value $0.001 (the “Series F-1 Preferred Stock”); (ii) the Series E Preferred Stock for promissory notes in an aggregate principal amount of $1,644,000 (collectively the “2014 Notes”) and 2,194 shares of Series G-1 convertible preferred stock, par value $0.001 (the “Series G-1 Preferred Stock” and collectively with the Series F Preferred Stock, the Series G Preferred Stock, and the Series F-1 Preferred Stock, the “Convertible Preferred Stock”); and (iii) the Warrants for 1,248 shares of Series G-1 Preferred Stock (collectively, the “Exchange”). The Series F-1 Preferred Stock and Series G-1 Preferred Stock were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

Pursuant to the Exchange, on the Closing Date, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designations, Preferences and Rights of Series F-1 Preferred Stock (the “Series F-1 Certificate of Designation”) and a Certificate of Designations, Preferences and Rights of Series G-1 Preferred Stock (the “Series G-1 Certificate of Designation”). Under the terms of the Series F-1 Certificate of Designation, each share of Series F-1 Preferred Stock had a stated value of $1,000 and was convertible into shares of common stock equal to the stated value (and all accrued but unpaid dividends) divided by the conversion price of $1.00 per share (subject to adjustment in the event of stock splits and dividends). The Series F-1 Preferred Stock accrued dividends at a rate of 8% per annum, payable quarterly in arrears in cash or in kind, subject to certain conditions being met. The Series F-1 Preferred Stock contained a three-year “make-whole” provision, such that the holder was entitled to receive an amount equal to the dividends that would have accrued from the date of the conversion until the third anniversary of such conversion. The Company was prohibited from effecting the conversion of the Series F-1 Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owned more than 9.99%, in the aggregate, of the issued and outstanding shares of the common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series F-1 Preferred Stock.

Under the terms of the Series G-1 Certificate of Designation, each share of Series G-1 Preferred Stock had a stated value of $1,000 and was convertible into shares of common stock equal to the stated value (and all accrued but unpaid dividends) divided by the conversion price of $0.815 per share (subject to adjustment in the event of stock splits and dividends). The Series G-1 Preferred Stock accrues dividends at a rate of 8% per annum, payable quarterly in arrears in cash or in kind, subject to certain conditions being met. The Series G-1 Preferred Stock contains a three year “make-whole” provision such that if the Series G-1 Preferred Stock was converted prior to the third anniversary of the date of original issuance, the holder would be entitled to receive the remaining amount of dividends that would have accrued from the date of the conversion until such third year anniversary. The Company was prohibited from effecting the conversion of the Series G-1 Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owned more than 9.99%, in the aggregate, of the issued and outstanding shares of the Company’s common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series G-1 Preferred Stock. As of April 30, 2016 all series F-1 and G-1 preferred stock have been converted to shares of the Company’s common stock and no further dividend or make whole dividends are due under this agreement.

Series H Preferred Stock

On June 30, 2015, the Company entered into Amendment, Waiver and Exchange Agreements (the "Exchange Agreements") with certain of its promissory note holders, who held $1,299,000 in principal amount of unsecured promissory notes of the Company. Pursuant to the terms of the Exchange Agreements, the Holders agreed to exchange all of the existing indebtedness for, and the Company agreed to issue to the Holders, an aggregate of 8,435 shares of the Company's newly designated Series H Convertible Preferred Stock, par value $0.0001 per share ("Series H Preferred Stock").

On June 30, 2015, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designations, Preferences and Rights of Series H Convertible Preferred Stock (the "Series H Certificate of Designation").

Under the terms of the Series H Certificate of Designation, each share of Series H Preferred Stock has a stated value of $154 and is convertible into shares of the Company's common stock, equal to the stated value divided by the conversion price of $1.54 per share (subject to adjustment in the event of stock splits and dividends). The Company is prohibited from effecting the conversion of the Series H Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of the Company's common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series H Preferred Stock.

Series H-1 Preferred Stock

Between July 14 and July 20, 2015, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with four investors pursuant to which the Company issued to the Investors an aggregate of 8,532 shares of Series H-1 Preferred Convertible Stock of the Company, par value $0.0001 per share ("Series H-1 Shares"), and warrants to purchase 1,279,759 shares of common stock of the Company, with an exercise price of between $1.63 and $1.66 per share (the "Warrants"). The purchase price for each Series H-1 Share was between $163 and $166 and the purchase price for each warrant was $0.1250 per share of common stock, for an aggregate purchase price for the Series H-1 Shares and Warrants of $1,575,000.

Simultaneously with the Securities Purchase Agreement, the Company and the Investors entered into a Registration Rights Agreement (the "Registration Rights Agreement"), pursuant to which the Company agreed to file with the Securities and Exchange Commission, on or before October 1, 2015, a registration statement on Form S-3 covering the resale of the common stock issuable upon conversion of the Series H-1 Shares and exercise of the Warrants.

The Company sold the Series H-1 Shares and Warrants in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D as promulgated under the Securities Act.

On July 14, 2015, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designations, Preferences and Rights of Series H-1 Convertible Preferred Stock (the "Series H-1 Certificate of Designation").

Under the terms of the Series H-1 Certificate of Designation, each share of Series H-1 Preferred Stock has a stated value of $166 and is convertible into shares of common stock, equal to the stated value divided by the conversion price of $1.66 per share (subject to adjustment in the event of stock splits and dividends). The Company is prohibited from effecting the conversion of the Series H-1 Preferred Stock to the extent that, as a result of such conversion, the holder or any of its affiliates beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of the Company's common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series H-1 Preferred Stock.

In addition to the Exchange Agreements, on June 30, 2015 one note holder was paid $4,000 for full and complete settlement of his note balance and which together with the Section 16 Settlement (as described in Item 3) such transactions collectively resulted in the complete elimination of the $1,703,000 balance of promissory notes outstanding as of April 30, 2015.

Zurich

On July 12, 2012, we executed the Surety Financing and Confession of Judgment Agreement (the "Financing Agreement") with Zurich American Insurance Company ("Zurich"), to assist in the completion of the project contract with the Camden County Improvement Authority (the "CCIA") for work at the Cooper Medical Center of Rowan University (the "Cooper Project").

On April 17, 2013, we executed the Surety Forbearance and Confession of Judgment Agreement (the "Forbearance Agreement") with Zurich, which superseded the Financing Agreement. Subsequently, we defaulted on the Forbearance agreement.

On February 20, 2015, the Company entered into a Settlement and Mutual Release Agreement (the "Settlement") with Zurich which provided for the payment to Zurich by the Company of $650,000 to settle the Company's outstanding balance of approximately $1,850,000 then in default, and which was previously due in full on December 31, 2013 under the existing Forbearance Agreement with Zurich. Upon execution of the Settlement, the Company paid Zurich $200,000, with the remaining balance of $450,000 payable in 10 equal monthly installments of $45,000. As of April 30, 2016, the remaining balance of the Settlement was paid in full.

As a result of the full settlement above, Zurich has agreed to release all of its entire right, title and interest in and to the Cooper Project, against which the Company filed an action to recover approximately $2,400,000 from the CCIA. The Company has recently entered into a global settlement agreement with the CCIA and in July 2016, received $1,150,000 in full satisfaction of its claims (see Note 15 – Subsequent Events).

Business Strategy

Industry Background

We focus primarily on markets such as, public service, healthcare, energy and education markets, which continue to show excellent growth potential.

Public Services

We provide communications infrastructure for public services, which includes utilities, education, military and transportation infrastructure. We believe there is an active market for communications infrastructure in the public service sector due to the need to create cost efficiencies through the implementation of new communications technology.

Healthcare

We provide communications infrastructure for hospitals and medical centers. In the healthcare market, the aging population is resulting in demands for upgraded and additional hospital infrastructure. New construction and renovations are occurring for hospitals domestically and internationally. In addition, there is a need to reduce the cost of delivering healthcare by implementing new communications technology. Our services include electrical power, structured cabling, security systems, life safety systems, environmental controls and communication systems.

Energy

We provide communications infrastructure for petrochemical, natural gas and electric utility companies. The need to deliver basic energy more efficiently is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology.

Education

We provide communication infrastructure for the education market. Many schools are upgrading technology backbone and wireless communications.

Strategy

We currently offer our low voltage communications, security and audio-visual infrastructure contracting services to the public services, healthcare, energy, education and corporate enterprise markets. These services are offered through our Suisun and Texas Operations. We provide an integrated approach to project coordination that creates cost-effective solutions. Corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems. We specialize in wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, point-to-point systems, cellular networks, in-building systems and two-way communication systems. We support the integration of telecommunications, life safety, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

During the past two fiscal years, our strategy in the contracting services segment has also included divesting certain operations through the sale of the Pride Operations, the sale of the assets of the Seattle Operation, and closing the unprofitable Trenton Operations. In 2014, we also sold BTX. Furthermore, in September 2015, we sold our 60% majority ownership interest in our China Operations in an all-cash transaction, for a price of $1,500,000.

We have adopted this strategy in order to eliminate unprofitable operations and to generate cash, while we evaluate a number of opportunities including, but not limited to increasing profits and cash flow at our Suisun City Operations, seeking expansion capital and/or finding viable acquisition or merger candidates.

Project Characteristics

Our contracts are primarily service-based projects providing installation and engineering services, which include providing labor, materials and equipment for a complete installation. The projects are staffed with a project manager who manages multiple projects and a field supervisor who is responsible for an individual project. 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 primarily 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 be delays 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.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our strategic market focus and our relationships with technology providers. 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 estimating 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. In addition to its bidding work, the Company has recently hired a sales team to identify and secure direct business opportunities.

Competition

We face competition from numerous service organizations, ranging from small independent regional firms to larger firms servicing national markets. 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 and product line may become a competitor. The principal competitive advantage in these markets is establishing a reputation of delivering projects on time and within budget. Other factors of importance include accountability, certifications, project management expertise, industry experience and financial strength. We believe that the ability to provide comprehensive turnkey low voltage communications infrastructure, security, video and audio-visual package gives us a competitive advantage. In addition, we offer union workforce that allow us to bid on major union projects in San Francisco and the entire Bay Area, creating yet another competitive advantage.

Customers

We serve a variety of public services, healthcare, energy, education and corporate enterprise customers. For the fiscal years ended April 30, 2016 there were four (4) major customers who provided over 36% of our revenue.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

Not applicable to our business

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts

None.

Governmental Approval

None.

Governmental Regulations

None.

Research and Development

None.

Costs and Effects of Environmental Compliance

None.

Employees

We currently employ 72 employees, 19 of which are employed on a full-time basis, and 53 of which are unionized. We hire union employees on an “as needed basis” and the number of union employees will vary depending on the number of jobs in process.

ITEM 1A - RISK FACTORS

RISKS RELATED TO OUR COMPANY

Our Suisun Operations line of credit contains various covenants which, if not complied with, could accelerate our repayment obligations, thereby materially and adversely affecting our liquidity, financial conditions and results of operations.

The agreement governing our Suisun Operations' line of credit requires our Suisun Operations to comply with certain financial and operational covenants. These covenants require our Suisun Operations to, among other things, maintain a certain quick ratio and a minimum net worth. As of the filing date of this report, our Suisun Operations were in compliance with these covenants. However, our Suisun Operations' continued compliance with these covenants depends on many factors, and could be impacted by current or future economic conditions, and thus there are no assurances that our Suisun Operations will continue to comply with these covenants. Failure to comply with these covenants would result in a default that, if we were unable to obtain a waiver from the lender, could accelerate our repayment obligations under the line of credit and thereby have a material adverse impact on our liquidity, financial condition and results of operations.

Our Texas Operations have no operating history and may not generate any substantial revenue.

We began operations in San Antonio, Texas in January 2016 and in Dallas, Texas in April 2016. During the year ended April 30, 2016, the Texas Operations did not generate substantial revenue and we incurred approximately $237,000 in selling, general and administrative expenses in starting those offices. While we believe these markets can be developed into profitable operations, at this time there can be no assurance that we will be able to hire qualified employees and secure customer contracts in order to generate revenue or profits in those markets.

Acquisitions involve risks that could result in a reduction of our operating results, cash flows and liquidity.

We have made, and in the future may continue to make strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities, or may be unable to obtain the consent of our shareholders and therefore, may not be able to complete such acquisitions. We may pay for acquisitions with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions that investors may not agree with. In connection with most of our acquisitions, we have also agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations and financial reporting and accounting control systems into our business;
- increased indebtedness and contingent purchase price obligations associated with an acquisition;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;
- the availability of funding sufficient to meet increased capital needs;
- diversion of management's attention; and
- the ability to retain or hire qualified personnel required for expanded operations.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible securities associated with these acquisitions may also result in higher levels of indebtedness, which could impact our ability to service our debt within the scheduled repayment terms.

RISKS RELATED TO OUR COMMUNICATIONS INFRASTRUCTURE CONTRACTING SERVICES BUSINESS

If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results could 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 could result in unanticipated costs or claims.

Our project 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.

We may be unable to obtain sufficient bonding capacity to undertake certain projects.

Some of our contracts require performance and payment bonds. If we are not able to renew or obtain a sufficient level of bonding capacity in the future, we may be precluded from being able to bid for certain contracts or successfully contract with certain customers. In addition, even if we are able to successfully renew or obtain performance or payment bonds, we may be required to post letters of credit in connection with the bonds, which could negatively affect our cash flow.

Furthermore, under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing any bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or any other reasons, we may be unable to compete for or work on certain projects that would require bonding.

The ability of our Suisun City and Texas Operations to obtain performance and payment bonds from traditional surety markets within the insurance industry has been adversely impacted by our operating losses and negative working capital at the consolidated Company level.

An economic downturn in any of the industries we serve could lead to less demand for our services.

Because the vast majority of our revenue is derived from a few industries, a downturn in any of those industries would adversely affect our results of operations. Specifically, an economic downturn in any industry we serve could result in the delay, reduction or cancellation of projects by our customers as well as cause our customers to outsource less work, resulting in decreased demand for our services and potentially impacting our operations and our ability to grow at historical levels. A number of other factors, including financing conditions and potential bankruptcies in the industries we serve or a prolonged economic downturn or recession, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future. Consolidation, competition, capital constraints or negative economic conditions in the private sector, public services, healthcare energy industries and the K-12 education market may also result in reduced spending by, or the loss of, one or more of our customers.

We have a significant amount of accounts receivable and costs and estimated earnings in excess of billings assets.

We extend credit to our customers as a result of performing work under contracts prior to billing our customers for that work. At April 30, 2016, we had net accounts receivable of approximately $2,900,000 and costs and estimated earnings in excess of billings of approximately $357,000. We periodically assess the credit risk of our customers and continuously monitor the timeliness of payments. Slowdowns in the industries we serve may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. Further, bankruptcies or financial difficulties within the markets we serve could hinder the ability of our customers to pay us on a timely basis or at all, reducing our cash flows and adversely impacting our liquidity and profitability. Additionally, we could incur losses in excess of current bad debt allowances.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which could 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 design-build services 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.

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

As of April 30, 2016, we had a backlog of unfilled orders of approximately $13,200,000. 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 further reduction in revenue, profitability and liquidity.

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

Our business is labor intensive. As of April 30, 2016, approximately 75% of our workforce was unionized, including 8% of our project managers. 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. Our current union contract expires in October 2017.

Our quarterly results fluctuate and could 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 design-build projects and technology upgrades by our customers;
- fluctuations in demand for outsourced contracting services;

- the ability of certain customers to sustain capital resources to pay their trade account balances and required changes to our allowance for doubtful accounts based on periodic assessments of the collectability 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 future plans and growth are dependent on maintaining sufficient working capital.

Our future plans and growth are dependent on our ability to increase revenues and continue our business development efforts surrounding our contract award backlog. If we continue to incur losses and revenues do not generate from the backlog as expected, we may need to raise additional capital to expand our business and continue as a going concern. We currently anticipate that our current cash position, along with the receipt of $1,150,000 associated with the Cooper Union settlement (see Footnote 15 – Subsequent Events), will be sufficient to meet our working capital requirements to continue our sales and marketing efforts for at least 12 months. If in the future our plans or assumptions change or prove to be inaccurate, we may need to raise additional funds through public or private debt or equity offerings, financings, corporate collaborations, or other means. We may also be required to reduce operating expenditures or investments in our infrastructure.

RISKS RELATED TO OUR COMMON STOCK

If our common stock were delisted from The NASDAQ Stock Market, the Company would be subject to the risks relating to penny stocks

If our common stock were to be delisted from trading on The NASDAQ Stock Market and the trading price of the common stock were below $5.00 per share on the date the common stock were delisted, trading in our common stock would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a "penny stock" and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally institutions. These additional requirements may discourage broker-dealers from effecting transactions in securities that are classified as penny stocks, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell such securities in the secondary market. A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than $5.00 per share, subject to certain exceptions.

Our stock price may be volatile, which could 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 May 1, 2015 and April 30, 2016, our common stock has traded as low as $.97 and as high as $3.07 per share, based upon information provided by the NASDAQ Capital 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;
- announcements regarding acquisitions by or of our company;
- 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 objects of securities class action litigation. Class action and derivative lawsuits could result in substantial costs to us and cause a diversion of our management's attention and resources, which could materially harm our financial condition and results of operations.

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.

Certain provisions of our corporate governing documents could make an acquisition of our Company more difficult.

The following provisions of our certificate of incorporation and bylaws, as currently in effect, as well as Delaware law, could discourage potential proposals to acquire us, delay or prevent a change in control of us or limit the price that investors may be willing to pay in the future for shares of our common stock:

- our certificate of incorporation permits our Board of Directors to issue "blank check" preferred stock and to adopt amendments to our bylaws;
- our bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;
- our certificate of incorporation and bylaws restrict the right of stockholders to call a special meeting of stockholders and to act by written consent; and
- we are subject to provisions of Delaware law which prohibit us from engaging in any of a broad range of business transactions with an "interested stockholder" for a period of three years following the date such stockholder became classified as an interested stockholder.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal executive office is located in Suisun City, California. We operate our California and Texas operations under office leases in the following locations:

Location	Operations	Lease Expiration Date	Annual Rent	
Suisun City, California	Suisun City	February 28, 2017	$	80,213
San Antonio, Texas	San Antonio	July 31, 2019	$	42,966
Dallas, Texas	Dallas	July 31, 2019	$	38,592

We believe that our existing facilities are suitable and adequate to meet our current business requirements. We intend to renew our leases at the current locations or, in the event we are unable to renew such leases, we would seek similar facilities in the same geographic locations.

ITEM 3 - LEGAL PROCEEDINGS

On June 30, 2015, the Company entered into a settlement agreement (the "Section 16 Settlement") with the remaining two defendants in a civil lawsuit instituted in the United States District Court for the Southern District of New York on July 14, 2014, by Eric Greenberg, a stockholder of the Company, alleging violations under Section 16(b) of the Exchange Act (the "Section 16 Litigation"). The Section 16 Litigation was previously disclosed in the Company's Annual Report on Form 10-K for the year ended April 30, 2014 and filed with the SEC on July 30, 2014. Pursuant to the Section 16 Settlement, the Company received from the remaining two defendants: (1) forgiveness of $400,000 of principal amount of debt owed by the Company to the defendants; (2) an exchange of the remaining $405,000 of debt owed by the Company to the defendants into shares of Series H Convertible Preferred Stock of the Company; and (3) waiver of certain conditions preventing the Company from paying accrued dividends on its Series F-1 and Series G-1 Convertible Preferred Stock in shares of the Company's common stock; and (4) relinquishment of all voting rights the defendants had and may have in all shares of the Company's preferred stock then held or thereafter acquired. In addition the two defendants paid $315,000 to the plaintiff's attorneys for legal fees.

In addition, from time to time the Company has been subject to, and may in the future be subject to, ordinary routine litigation incidental to the Company's business.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

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 Capital Market under the symbol "WPCS". For the periods indicated, the following table sets forth the high and low sale prices of our common stock as reported by The NASDAQ Stock Market.

Period	High	Low
Fiscal Year Ended April 30, 2016:		
First Quarter	$ 3.07	$ 1.32
Second Quarter	1.50	1.07
Third Quarter	1.92	1.19
Fourth Quarter	1.39	.97
Fiscal Year Ended April 30, 2015:		
First Quarter	$ 29.37	$ 9.90
Second Quarter	38.06	11.22
Third Quarter	17.82	3.74
Fourth Quarter	7.70	2.78

As of July 21, 2016, we had 55 holders of record of our common stock, and our common stock had a closing bid price of $1.44 per share.

Dividend Policy

We have never paid any cash dividends on our common 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. We are required to accrue dividends on our Series F, F-1, G, and G-1 Preferred Stock and during the year ended April 30, 2016 have paid a portion of those dividends by issuing shares of our common stock. As of April 30, 2016, there is no further obligation for the Company to pay any dividends on Series F, F-1, G or G-1, Preferred Stock as all of these shares have been converted into common stock of the Company.

Recent Sales of Unregistered Securities

Investment Banking Agreement

On August 1, 2015, the Company entered into an engagement letter with an investment bank to provide investment advisory services for a period of twelve (12) months, which may be extended by mutual consent of the parties. The Company agreed to pay a $7,500 monthly fee to the investment bank payable in shares of common stock, calculated based on the closing bid price of the common stock on the trading day immediately prior to date payment is due. On each date of payment, the common stock is issued in reliance upon the exemption from registration in Section 4(a)(2) of the Securities Act of 1933. The shares issued for the payments due for the period from March 11, 2016 through July 10, 2016 were 20,539 and the total shares issued under this agreement as of July 10, 2016 is 63,073.The Company does not intend to renew this agreement passed the July 31, 2016 termination date.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6 - SELECTED FINANCIAL DATA

Not applicable.

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.

Overview

The Company currently specializes in contracting services offering communications, security and audio-visual infrastructure through its Suisun City and Texas Operations. We have previously announced that we began operation in San Antonio, Texas in January 2016 and in April 2016 we began operations in Dallas, Texas. Both San Antonio and Dallas operate under one wholly owned subsidiary called WPCS-Texas Operations. During the year ended April 30, 2016, the Texas Operations did not generate substantial revenue and we incurred approximately $237,000 in selling, general and administrative expenses in starting those offices. It is our belief that we can develop those markets into profitable operations through organic growth, however there can be no assurances.

During the year ended April 30, 2016 we sold our interest in our China Operations, therefore the financial results of our China operations for the years ended April 30, 2016 and 2015 are now included in the results from discontinued operations in our financial statements.

Our Suisun City and Texas Operations offer low voltage communications infrastructure contracting services to the public services, healthcare, energy and corporate enterprise markets. We provide an integrated approach to project coordination that creates cost-effective solutions. Corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems. We specialize in wireless technology and a combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, point-to-point systems, cellular networks, in-building systems and two-way communication systems. We support the integration of telecommunications, life safety, security and HVAC and design for future growth by building in additional capacity for expansion as new capabilities are added.

For the fiscal years ended April 30, 2016, and 2015, we generated revenues from continuing operations of $14,555,000 and $24,418,000, respectively. Our backlog at April 30, 2016 was $13,200,000.

<u>Company Strategy</u>

During the past two fiscal years, our strategy in the contracting services segment included divesting certain operations through the sale of Pride, the Seattle Operations and China Operations. In addition, the Company sold BTX, which was focused on opportunities within the digital currency market. With the sale of BTX, the Company no longer conducts business in the virtual currency segment.

We have divested those operations that have not been profitable, as part of our plan to reduce expenses, and liabilities, improve operational performance as well as to generate cash for working capital and general corporate purposes.

Meanwhile, our ongoing plan continues to be to strengthen the Company's balance sheet as well as to increase revenue, profit and cash flow at our Suisun City and Texas Operations, while seeking new growth opportunities for the Company. Longer-term, the Company intends to seek viable acquisition and/or merger candidate(s).

Current Operating Trends and Financial Highlights

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

With regards to our financial results from continuing operations for the year ended April 30, 2016, we generated revenue of approximately $14,555,000 as compared to revenue of $24,418,000 for the same period last year. This decrease in revenue was due primarily to a $9,900,000 decrease in revenue in our Suisun Operations related to work on one major customer's contract, which was completed during the year ended April 30, 2015.

We generated a net loss to common shareholders for the year ended April 30, 2016 of approximately $8,270,000, or $3.61 per common share, which includes approximately $4,743,000 of non-cash dividends on Series F-1 and G-1 Preferred Stock and $744,000 of non-cash beneficial conversion dividends on Series H Preferred Stock The non-cash charges were offset by $400,000 in non-cash gains recorded on Section 16 settlements. The non-cash charges and gains have no impact on our operating income or cash flows. The net loss also includes an $838,000 gain from discontinued operations from the sale of our China Operations.

The net loss to common shareholders for the year ended April 30, 2016 compares to a net loss of approximately $11,329,000, or $16.84 per common share for the year ended April 30, 2015, which includes approximately $2,839,000 related to the non-cash interest expense for the amortization of Notes discount and expenses related to the issuance of the warrants and preferred stock in the Exchange, $5,493,000 in non-cash Inducement expense related to the exchange of convertible secured notes, preferred shares and warrants into shares of convertible preferred stock and non-cash dividends on preferred stock of approximately $2,509,000. The non-cash charges were offset by $1,401,000 in non-cash gains recorded on Section 16 settlements and $1,071,000 in non-cash gains related to reduction in liabilities based upon settlements with vendors. The non-cash charges and gains have no impact on our operating income or cash flows. The net loss includes a loss from discontinued operations for the Australia, Seattle, BTX and China Operations of approximately $2,106,000.

The markets we serve in public services, healthcare, and energy continue to afford opportunities to grow our business. Two of our most important economic indicators for measuring our future revenue producing capability and demand for our services continue to be our backlog and bid list. For comparative purposes our backlog and bid list for prior periods only includes our continuing operations. Our backlog of unfilled orders was approximately $13,200,000 at April 30, 2016, compared to backlog of $14,100,000 for the same period last year. Our goal is to convert more of these bids into contract awards and to increase our backlog in the quarters ahead.

We believe that our low voltage communication infrastructure contracting services for public services, healthcare, energy and corporate enterprise markets will create additional opportunities. We believe that the ability to provide comprehensive communications infrastructure contracting services gives us a competitive advantage. In regards to strategic development, our focus is on organic growth opportunities and we feel optimistic about the markets we serve as evidenced by our new contract awards and customers continuing to seek bids from us, due to our experience in these markets.

While we continue to consider and develop organic growth opportunities, we are also seeking opportunities to improve our balance sheet. We have sought a number of opportunities for improvement, including the execution of an aggressive plan over the past year to stabilize the operations and cash flows of the business and have reduced operating costs. The restructuring of the 2014 Notes and warrants has enabled us to eliminate the former derivative liabilities and rebuild our stockholders' equity, as has the settlement of the Zurich payable. Our plan is to continue to reduce liabilities and increase equity.

In the previous two fiscal years we divested certain operations through the sale of the Pride Operations, the sale of the assets of the Seattle Operations, the sale of BTX, the sale of our China Operation. and the closure of unprofitable Trenton Operations.

Results of Operations for the Year Ended April 30, 2016 Compared to the Year Ended April 30, 2015

	For the years ended April 30,			
	2016		2015	
Revenue	$ 14,555,102	100.0%	$ 24,417,686	100.0%
Costs and expenses:				
Cost of revenue	11,570,364	79.5%	20,559,427	84.2%
Selling, general and administrative expenses	6,951,637	47.8%	4,867,056	19.9%
Depreciation and amortization	64,738	0.4%	60,207	0.2%
	18,586,739	127.7%	25,486,690	104.4%
Operating loss	(4,031,637)	-27.7%	(1,069,004)	-4.4%
Other income (expense):				
Interest expense	(3,196)	0.0%	(2,838,739)	-11.6%
Inducement expense	-	0.0%	(5,492,842)	-22.5%
Income from section 16 settlement	400,000	2.7%	1,401,516	5.7%
Gain on forgiveness of other payable to Zurich	-	0.0%	883,757	3.6%
Other income	5,284	0.0%	187,209	0.8%
Loss from continuing operations before income tax provision	(3,629,549)	-25.0%	(6,928,103)	-28.4%
Income tax provision	1,706	0.0%	69,679	0.3%
Loss from continuing operations	(3,631,255)	-25.0%	(6,997,782)	-28.7%
Discontinued operations:				
Income (loss) from discontinued operations	27,261	0.2%	(2,550,113)	-10.3%
Gain from disposal	837,720	5.8%	798,896	3.3%
Gain from disposal of BTX	-	0.0%	19,700	0.1%
Loss from disposal of Seattle Operations	-	0.0%	(374,932)	-1.5%
Income (loss) from discontinued operations, net of tax	864,981	6.0%	(2,106,449)	-8.5%
Consolidated net loss	(2,766,274)	-19.0%	(9,104,231)	-37.2%
Net income (loss) attributable to noncontrolling interest	16,505	0.1%	(284,210)	-1.2%
Net loss attributable to WPCS	(2,782,779)	-19.1%	(8,820,021)	-36.0%
Dividends declared on preferred stock	(4,742,768)	-32.6%	(2,508,518)	-10.3%
Deemed dividend on convertible preferred stock, due to beneficial conversion feature	(744,499)	-5.1%	-	0.0%
Net loss attributable to WPCS common shareholders	$ (8,270,046)	-56.8%	$ (11,328,539)	-46.3%

Operating Loss

The Company had an operating loss of approximately $4,032,000 for year ended April 30, 2016. This operating loss was comprised primarily of $1,064,000 in operating income from Suisun City Operations and which was offset by approximately $4,813,000 of corporate overhead expenses, of which approximately $2,439,000 related to non-cash compensation expense recognized on the issuance of employee stock options, a $237,000 loss from the start up of our Texas Operations and write-off of the remaining Trenton assets of $47,000. For the year ended April 30, 2015, the Company had an operating loss of approximately $1,069,000 which was comprised primarily of $1,577,000 in operating income from Suisun City Operations and $109,000 from reversal of lease expenses from the closed Trenton Operations and which was offset by approximately $2,727,000 of corporate overheads. The details of the operating loss are as follows:

Revenue

Revenue for the year ended April 30, 2016 decreased $9,863,000, or 40%, to $14,555,000, as compared to $24,418,000 for same period last year due primarily from a $9,900,000 decrease in revenue in Suisun City Operations attributable to the completion of one customer contract that was completed during the last fiscal year.

Cost of Revenue

Cost of revenue, which consists of direct costs on contracts: materials, direct labor, third party subcontractor services, union benefits and other overhead costs decreased $8,989,000, or 43.7%, to $11,570,000, or 79.5% of revenue, for the year ended April 30, 2016, as compared to $20,559,000, or 84.2% of revenue, for the same period in 2015. Such decrease in the cost of revenue was due primarily to attracting new contracts with lower subcontracting costs in the Suisun City Operations. Lower costs, on the jobs that were completed, account for the 4.7% decrease in cost of revenue. We expect, as we move from reliance on one major customer, that lower margin jobs will be limited in future periods.

Selling, General and Administrative Expenses

For the year ended April 30, 2016, total selling, general and administrative expenses increased $2,085,000, or 42.8%, to $6,952,000 as compared to $4,867,000 for the year ended April 30, 2015 and which was primarily due to higher: (i) non-cash stock compensation expense of $2,268,000 for stock options issued; (ii) salary expense of $437,000; (iii) insurance expense of $304,000 and (iv) various miscellaneous costs of approximately $286,000, all of which were partially offset by lower: (i) professional fees for accounting, consulting and investor relations services of $882,000; and (ii) various miscellaneous costs of approximately $328,000. In addition, for the year ended April 30, 2015, the Company had $496,000 of Trenton facility lease, Delaware franchise tax and insurance expense reductions which lowered the prior period selling, general and administrative expenses.

Depreciation and Amortization

For the year ended April 30, 2016, depreciation and amortization increased $5,000, or 7.6%, to $65,000 as compared to $60,000 for same period in 2015. The increase in expense is due to the addition of computer equipment and automobiles in the San Antonio and Dallas offices.

Loss from Continuing Operations

The Company had a net loss from continuing operations of $3,631,000 for the year ended April 30, 2016 as compared to a net loss from continuing operations of $6,998,000 for the same period in 2015. Loss from continuing operations is determined by adjusting the operating loss by the following items:

Interest Expense

For the years ended April 30, 2016 and 2015 interest expense was approximately $3,000 and $2,839,000, respectively. The significant reduction in interest expense in 2016 as compared to the same period in 2015 is attributable to the exchange of senior secured convertible notes that was completed in November 2014.

Inducement Expense

During the year ended April 30, 2016 and 2015, we recognized an inducement expense of $0 and $5,493,000, respectively. The inducement expense for the year ended April 30, 2015 was related to the conversion of senior secured convertible notes of $459,000 and related make-whole amount of $949,000 to Series F and F-1 Preferred Stock with a fair value of $4,963,000 and Series G and G-1 Preferred Stock with a fair value of $1,938,000. We recorded the difference in the fair value of the preferred stock over the value of the notes and make-whole amount (conversion price) as an inducement expense because the fair value of the preferred stock was higher than the conversion price. The fair value of the preferred stock was based on unobservable inputs. We estimated the fair value of the preferred stock assumptions that market participants would use in their estimates of fair value. Some of these assumptions include estimates for expected dividends and the fair value of the underlying common stock. There was no inducement expense for the year ended April 30, 2016 and there will be no further inducement expense related to the conversion of the senior secured notes.

Income from Section 16 Settlement

For the years ended April 30, 2016 and 2015 we received income from Section 16 settlements of approximately $400,000 and $1,402,000, respectively. This income was comprised of forgiveness of certain promissory notes and receipt of cash as part of the settlements with certain note holders who were defendants named in a Section 16 litigation brought by a shareholder of WPCS. These settlements resolved all issues related to this litigation.

Other Income

For the years ended April 30, 2016 and 2015, other income was approximately $5,000 compared to approximately $187,000, respectively. The large other income item in 2015 relates to the negotiation and eventual reduction of certain accounts payable balances.

Net Loss Attributable to WPCS Common Shareholders

The Company incurred a net loss attributable to WPCS common shareholders of $8,270,000 for the year ended April 30, 2016 as compared to a net loss attributable to WPCS common shareholders of $11,329,000 for the same period in 2015. The following items are the adjustments to the loss from continuing operations that result in determining the net loss attributable to WPCS common shareholders.

Loss From Discontinued Operations

As a result of the sales of Pride, BTX, China and Seattle Operations, we have recorded all activity related to those subsidiaries as income (loss) from discontinued operations (see Note 13 – Discontinued Operations). The cumulative effect is net income of approximately $865,000 for the year ended April 30, 2016 as compared to a loss of $2,106,000 for the same period in 2015.

Dividends Declared on Preferred Stock

As a result of the issuance of preferred stock, we declared dividends, make-whole dividends, and deemed dividends of $5,487,000 for the year ended April 30, 2016 as compared to $2,509,000 for the same period in 2015. These dividends are non-cash and were paid in shares of the Company's common stock.

Effects of Inflation

Inflation has not had a material impact on our business.

Liquidity and Capital Resources as of April 30, 2016

As of April 30, 2016, we had a working capital surplus of approximately $2,061,000, which consisted of current assets of approximately $5,545,000 and current liabilities of $3,484,000. The current liabilities as presented in the audited balance sheet at April 30, 2016 primarily include $2,072,000 of accounts payable and accrued expenses, $1,358,000 of billings in excess of contract costs and $54,000 of short-term vehicle loans.

Our cash and cash equivalents balance at April 30, 2016 was $2,236,000.

Our operating activities used approximately $2,682,000 in cash for the year ended April 30, 2016. The major components of the net cash used by operating activities were the loss attributable to WPCS of $3,361,000, the reduction of currents assets held for sale and the reduction of accounts payable offset by a reduction is liabilities held for sale, the collection of accounts receivable and the non-cash charge associated with the issuance of stock options.

Our investing activities provided cash of approximately $1,186,000, for the year ended April 30, 2016, primarily from the net cash received from the sale of our China Operations of $1,326,000, offset by the purchase of equipment of $140,000.

Our financing activities provided cash of approximately $1,276,000 for the year ended April 30, 2016, primarily from the issuance of Series H-1 Preferred Stock and borrowings for equipment offset by payment to satisfy obligations under our agreement with a vendor.

Our future plans and growth are dependent on its ability to increase revenues and continue its business development efforts surrounding its contract award backlog. If we continue to incur losses and revenues do not generate from the backlog as expected we may need to raise additional capital to expand its business and continue as a going concern. We currently anticipate that our current cash position, along with the subsequent receipt of $1,150,000 associated with the Cooper Union settlement (see Footnote 15 – Subsequent Events), will be sufficient to meet our working capital requirements to continue our sales and marketing efforts for at least 12 months. If in the future our plans or assumptions change or prove to be inaccurate, we may need to raise additional funds through public or private debt or equity offerings, financings, corporate collaborations, or other means. We may also be required to reduce operating expenditures or investments in its infrastructure.

Backlog

As of April 30, 2016, we had a backlog of unfilled orders of approximately $13,200,000 as compared to approximately $14,100,000 at April 30, 2015. 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.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating lease commitments.

Critical Accounting Policies

Included below is a discussion of critical accounting policies used in our preparation of the financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

The accounting policies identified as critical are as follows:

Use of Estimates

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

Accounts Receivable

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

Fair Value of Financial Instruments

Our material financial instruments at April 30, 2016 and for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, notes, common stock warrants and loans payable. The fair values of cash and cash equivalents, accounts receivable, and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. We believe that the fair values of the loans payable do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

Share Based Compensation

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The Company determines the forfeiture rate based on the historical forfeitures of stock options previously granted to employees and directors. Historically employee stocks options have generally fully vested prior to cancellation or termination and therefore the Company has determined that the forfeiture rate was 0% for the years ended April 30, 2016 and 2015, respectively. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures.

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 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.

At April 30, 2016, our net deferred tax assets are fully offset by a valuation allowance. We will continue to evaluate the realization of our deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

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 offering communications infrastructure contracting services. Our contracting 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 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.

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.

The length of our contracts varies. Assets and liabilities related to long-term contracts are included in current assets and current liabilities as they will be liquidated in the normal course of contract completion, although this may require more than one year.

Recent Accounting Pronouncements

Fiscal 2016 Accounting Pronouncement Adoptions

Reporting Discontinued Operations

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08 “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU No. 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective for us in our first quarter of fiscal 2016. The Company does not expect any material impact from adoption of this guidance on the Company’s consolidated financial statements.

Debt Issuance Cost

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is effective for us in our first quarter of fiscal 2016. The Company does not expect any material impact from adoption of this guidance on the Company’s consolidated financial statements.

Fiscal 2017 Accounting Pronouncement Adoptions

Disclosures of Uncertainties about an Entity’s Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU No. 2014-15”) that will require management to evaluate whether there are conditions and events that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the financial statements are issued on both an interim and annual basis. Management will be required to provide certain footnote disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the Company’s ability to continue as a going concern. ASU No. 2014-15 becomes effective for us in the first quarter of fiscal 2017. The Company will adopt ASU No. 2014-15 during the first quarter of fiscal 2017, and its adoption is not expected to have a material impact on its financial statements.

Share-Based Payments with Performance Targets

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). ASU 2014-12 requires that a performance target that affect vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation — Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for use in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. The Company will adopt ASU No. 2014-12 during the first quarter of fiscal 2017, and its adoption is not expected to have a material impact on its financial statements.

Compensation-Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted, as long as all of the amendments are adopted in the same period. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company’s consolidated financial statements and disclosures.

Income Taxes

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”), which changes how deferred taxes are classified on organizations’ balance sheets. ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments apply to all organizations that present a classified balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption of ASU 2015-17 is permitted. The Company is currently evaluating the impact of adopting ASU 2015-17 on the consolidated financial statements.

Fiscal 2018 Accounting Pronouncement Adoptions

Revenue Recognition

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).* This ASU amends the principal versus agent guidance in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which was issued in May 2014 (“ASU 2014-09”). Further, in April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This ASU also amends ASU 2014-09 and is related to the identification of performance obligations and accounting for licenses. The effective date and transition requirements for both of these amendments to ASU 2014-09 are the same as those of ASU 2014-09, which was deferred for one year by ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. That is, the guidance under these standards is to be applied using a full retrospective method or a modified retrospective method, as outlined in the guidance, and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for annual periods, and interim period within those annual periods, beginning after December 15, 2016. The Company is currently evaluating the provisions of each of these standards and assessing their impact on the Company’s consolidated financial statements and disclosures.

Fiscal 2019 Accounting Pronouncement Adoptions

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders
WPCS International Incorporated

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries (the "Company") as of April 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum LLP
New York, NY
July 28, 2016

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30, 2016	April 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,235,597	$ 2,364,360
Accounts receivable, net of allowance of $92,000 at April 30, 2016 and April 30, 2015, respectively	2,886,154	6,494,890
Costs and estimated earnings in excess of billings on uncompleted contracts	357,210	420,434
Prepaid expenses and other current assets	66,256	159,769
Current assets held for sale	-	4,566,251
Total current assets	5,545,217	14,005,704
Property and equipment, net	237,800	162,986
Other assets	21,162	11,384
Other assets held for sale	-	977,119
Total assets	$ 5,804,179	$ 15,157,193
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of loans payable	$ 53,996	$ 39,935
Accounts payable and accrued expenses	2,071,765	5,414,269
Billings in excess of costs and estimated earnings on uncompleted contracts	1,358,289	1,346,461
Other payable to Zurich	-	360,000
Short-term promissory notes	-	1,703,000
Dividends payable	-	677,546
Current liabilities held for sale	-	5,710,807
Total current liabilities	3,484,050	15,252,018
Loans payable, net of current portion	94,825	44,239
Total liabilities	3,578,875	15,296,257
Commitments and contingencies		
Equity (deficit):		
WPCS equity (deficit):		
Preferred stock - $0.0001 par value, 5,000,000 shares authorized at April 30, 2016 and April 30, 2015, respectively		
Convertible Series F, 5,268 shares designated, - 0 and 5,268 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively	-	1,589,933
Convertible Series F-1, 27,287 shares designated, - 0 and 5,642 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively	-	1,702,808
Convertible Series G, 2,088 shares designated, - 0 and 2,088 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively	-	731,706
Convertible Series G-1, 4,247 shares designated, - 0 and 3,128 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively	-	1,096,250
Convertible Series H, 8,500 shares designated, - 2,638 and 0 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively; liquidation preference of $406,000	406,262	-
Convertible Series H-1, 9,488 shares designated, - 8,119 and 0 shares issued and outstanding at April 30, 2016 and April 30, 2015, respectively; liquidation preference of $1,348,000	699,324	-
Common stock - $0.0001 par value, 100,000,000 shares authorized, 2,691,055 and 982,660 shares issued and outstanding as of April 30, 2016 and April 30, 2015, respectively	269	98
Additional paid-in capital	85,940,389	70,380,397
Accumulated deficit	(84,820,940)	(76,550,894)
Accumulated other comprehensive income on foreign currency translation	-	349,723
Total WPCS equity (deficit)	2,225,304	(699,979)
Noncontrolling interest	-	560,915
Total equity (deficit)	2,225,304	(139,064)
Total liabilities and equity	$ 5,804,179	$ 15,157,193

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended April 30, 2016	2015
Revenue	$ 14,555,102	$ 24,417,686
Costs and expenses:		
Cost of revenue	11,570,364	20,559,427
Selling, general and administrative expenses	6,951,637	4,867,056
Depreciation and amortization	64,738	60,207
	18,586,739	25,486,690
Operating loss	(4,031,637)	(1,069,004)
Other income (expense):		
Interest expense	(3,196)	(2,838,739)
Inducement expense	-	(5,492,842)
Income from section 16 settlement	400,000	1,401,516
Gain on forgiveness of other payable to Zurich	-	883,757
Other income	5,284	187,209
Loss from continuing operations before income tax provision	(3,629,549)	(6,928,103)
Income tax provision	1,706	69,679
Loss from continuing operations	(3,631,255)	(6,997,782)
Discontinued operations:		
Income (loss) from discontinued operations	27,261	(2,550,113)
Gain from disposal	837,720	798,896
Gain from disposal of BTX	-	19,700
Loss from disposal of Seattle Operations	-	(374,932)
Income (loss) from discontinued operations, net of tax	864,981	(2,106,449)
Consolidated net loss	(2,766,274)	(9,104,231)
Net income (loss) attributable to noncontrolling interest	16,505	(284,210)
Net loss attributable to WPCS	(2,782,779)	(8,820,021)
Dividends declared on preferred stock	(4,742,768)	(2,508,518)
Deemed dividend on convertible preferred stock, due to beneficial conversion feature	(744,499)	-
Net loss attributable to WPCS common shareholders	$ (8,270,046)	$ (11,328,539)
Basic and diluted net loss attributable to WPCS common shareholders:		
Loss from continuing operations	$ (3.98)	$ (14.13)
Income (loss) from discontinued operations	$ 0.00	$ (3.37)
Gain from disposal	$ 0.37	$ 0.66
Basic and diluted net income from discontinued operations	$ 0.37	$ (2.71)
Basic and diluted net loss per common share attributable to WPCS	$ (3.61)	$ (16.84)
Basic and diluted weighted average number of common shares outstanding	2,290,050	672,723

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the years ended April 30,	
	2016	2015
Consolidated net loss	$ (2,766,274)	$ (9,104,231)
Other comprehensive Income (loss)		
Foreign currency translation adjustments	-	(23,472)
Reclassification adjustments of other comprehensive loss on the sale of China operations	349,723	-
Other comprehensive Income (loss)	349,723	(23,472)
Comprehensive loss	(2,416,551)	(9,127,703)
Less: comprehensive loss attributable to noncontrolling interest	-	(1,079)
Comprehensive loss attributable to WPCS shareholders	$ (2,416,551)	$ (9,126,624)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	WPCS	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	(Loss) Income	Equity(Deficit)	Interest	Equity(Deficit)
Balance, April 30, 2014	**2,438**	**$ 2,438,000**	**632,417**	**$ 63**	**$ 66,673,434**	**$ (65,222,355)**	**$ 1,232,003**	**$ 5,121,145**	**$ 846,205**	**$ 5,967,350**
Dividend declared on Series E preferred stock	-	-	-	-	-	(74,487)	-	(74,487)	-	(74,487)
Dividend declared on Series F and F-1 preferred stock	-	-	-	-	-	(577,789)	-	(577,789)	-	(577,789)
Dividend declared on Series G and G-1 preferred stock	-	-	-	-	-	(233,288)	-	(233,288)	-	(233,288)
Make-whole amount on conversion of preferred F-1 shares	-	-	-	-	-	(1,622,954)	-	(1,622,954)	-	(1,622,954)
Conversion of dividend payable related to make-whole amount to common stock	-	-	68,985	7	1,622,947	-	-	1,622,954	-	1,622,954
Conversion of a portion of the dividend payable related to Series F-1 preferred stock	-	-	10,854	1	133,531	-	-	133,532	-	133,532
Conversion of Series E preferred stock to promissory notes	(2,438)	(2,438,000)	-	-	-	-	-	(2,438,000)	-	(2,438,000)
Conversion of senior secured convertible note and related make-whole amount to Series F preferred stock	5,268	1,589,933	-	-	-	-	-	1,589,933	-	1,589,933
Conversion of senior secured convertible note and related make-whole amount to Series F-1 preferred stock	11,365	3,430,067	-	-	-	-	-	3,430,067	-	3,430,067
Conversion of senior secured convertible note and related make-whole amount to Series G-1 preferred stock	3,447	1,207,947	-	-	-	-	-	1,207,947	-	1,207,947
Conversion of Series F-1 preferred stock to common stock	(5,533)	(1,669,915)	251,500	25	1,669,890	-	-	-	-	-
Conversion of Series G-1 preferred stock to common stock	(314)	(110,035)	17,512	2	110,033	-	-	-	-	-
Conversion of warrants to Series G preferred stock	2,088	731,706	-	-	-	-	-	731,706	-	731,706
Conversion of warrants to Series G-1 preferred stock	521	182,576	-	-	-	-	-	182,576	-	182,576
Section 16 settlement on cancellation of Series F-1 preferred stock	(190)	(57,344)	-	-	-	-	-	(57,344)	-	(57,344)
Section 16 settlement on cancellation of Series G-1 preferred stock	(526)	(184,238)	-	-	-	-	-	(184,238)	-	(184,238)
Fractional Shares Issued on reverse split	-	-	1,392	-	-	-	-	-	-	-
Stock based compensation	-	-	-	-	170,562	-	-	170,562	-	170,562
Other comprehensive loss	-	-	-	-	-	-	(15,561)	(15,561)	(1,079)	(16,640)
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	(284,211)	(284,211)
Reclassification adjustments of other comprehensive loss on sale of Pride	-	-	-	-	-	-	(866,719)	(866,719)	-	(866,719)
Net loss attributable to WPCS	-	-	-	-	-	(8,820,021)	-	(8,820,021)	-	(8,820,021)
Balance, April 30, 2015	**16,126**	**5,120,697**	**982,660**	**98**	**70,380,397**	**(76,550,894)**	**349,723**	**(699,979)**	**560,915**	**(139,064)**

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

(Continued)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	WPCS	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	(Loss) Income	Equity(Deficit)	Interest	Equity(Deficit)
Issuance of Series H-1 preferred stock and warrants for cash	8,532	1,575,000	-	-	-	-	-	1,575,000	-	1,575,000
Issuance of warrants with Series H-1 preferred stock	-	(841,405)	-	-	841,405	-	-	-	-	-
Beneficial conversion feature of Series H-1 convertible preferred stock	-	(703,770)	-	-	703,770	-	-	-	-	-
Deemed dividends related to immediate accretion of beneficial conversion feature of Series H-1 convertible preferred stock	-	703,770	-	-	-	(703,770)	-	-	-	-
Deemed dividend on conversion of Series H-1 convertible preferred stock to common stock	-	40,729	-	-	-	(40,729)	-	-	-	-
Conversion of Series H-1 preferred stock to common stock	(413)	(75,000)	41,300	4	74,996	-	-	-	-	-
Dividends declared on Series F and F-1 preferred stock	-	-	-	-	-	(159,215)	-	(159,215)	-	(159,215)
Dividends declared on Series G and G-1 preferred stock	-	-	-	-	-	(126,198)	-	(126,198)	-	(126,198)
Make-whole amount on conversion of preferred F-1 and G-1 shares	-	-	-	-	-	(4,457,355)	-	(4,457,355)	-	(4,457,355)
Conversion of dividends payable related to make-whole amount to common stock	-	-	204,865	21	4,457,335	-	-	4,457,356	-	4,457,356
Conversion of a portion of the dividends payable related to Series F preferred stock	-	-	13,959	1	313,185	-	-	313,186	-	313,186
Conversion of a portion of the dividends payable related to Series F-1 preferred stock	-	-	14,291	1	311,790	-	-	311,791	-	311,791
Conversion of a portion of the dividends payable related to Series G preferred stock	-	-	7,022	1	129,655	-	-	129,656	-	129,656
Conversion of a portion of the dividends payable related to Series G-1 preferred stock	-	-	11,154	1	208,324	-	-	208,325	-	208,325
Conversion of short term convertible note to Series H preferred stock	8,435	1,299,000	-	-	-	-	-	1,299,000	-	1,299,000
Conversion of Series F preferred stock to common stock	(5,268)	(1,589,933)	239,454	24	1,589,909	-	-	-	-	-
Conversion of Series F-1 preferred stock to common stock	(5,642)	(1,702,808)	256,456	26	1,702,782	-	-	-	-	-
Conversion of Series G preferred stock to common stock	(2,088)	(731,706)	116,453	12	731,694	-	-	-	-	-
Conversion of Series G-1 preferred stock to common stock	(3,128)	(1,096,250)	174,457	17	1,096,233	-	-	-	-	-
Conversion of Series H preferred stock to common stock	(5,797)	(892,738)	579,700	58	892,680	-	-	-	-	-
Share based compensation	-	-	47,969	5	2,506,234	-	-	2,506,239	-	2,506,239
Fractional shares issued on reverse split	-	-	1,315	-	-	-	-	-	-	-
Reclassification adjustments of other comprehensive loss on sale of China operations	-	-	-	-	-	-	(349,723)	(349,723)	-	(349,723)
Reclassification adjustments of net loss attributable to noncontrolling interest on sale of China operations	-	-	-	-	-	-	-	-	(560,915)	(560,915)
Net loss attributable to WPCS	-	-	-	-	-	(2,782,779)	-	(2,782,779)	-	(2,782,779)
Balance, April 30, 2016	**10,757**	**$ 1,105,586**	**2,691,055**	**$ 269**	**$ 85,940,389**	**$ (84,820,940)**	**$ -**	**$ 2,225,304**	**$ -**	**$ 2,225,304**

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended April 30, 2016	2015
Operating activities:		
Net loss from operations	$ (3,631,255)	$ (6,997,782)
Consolidated net income (loss) from discontinued operations	864,981	(2,106,449)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation and amortization	64,738	60,207
Amortization of notes discount	-	853,417
Inducement expenses	-	5,492,842
Shares based compensation	2,506,239	170,562
Interest expense related to make-whole amount	-	1,889,716
Gain on sale of Pride	-	(798,897)
Gain on sale of China operations	(837,720)	-
Gain on sale of BTX	-	(19,700)
Loss on sale of Seattle Operations	-	374,932
Income on section 16 settlement	(400,000)	(1,401,516)
Cash received on section 16 settlement	-	650,000
Gain on forgiveness of other payable to Zurich	-	(883,757)
Changes in operating assets and liabilities:		
Accounts receivable	3,608,736	(1,879,137)
Costs and estimated earnings in excess of billings on uncompleted contracts	63,224	10,914
Current assets held for sale	(3,853,621)	928,403
Prepaid expenses and other current assets	93,513	(7,706)
Other assets	(9,778)	37,392
Other assets held for sale	(20,523)	1,085,405
Income taxes payable	-	(2,366)
Accounts payable and accrued expenses	(3,342,504)	1,583,312
Current liabilities held for sale	2,200,030	742,106
Accrued severance expense	-	(550,205)
Billings in excess of costs and estimated earnings on uncompleted contracts	11,828	(102,102)
Net cash used in operating activities	(2,682,112)	(870,409)
Investing activities:		
Cash received on sale of Seattle	-	1,561,000
Acquisition of property and equipment	(139,552)	(46,912)
Addition on acquisition of BTX capitalized software	-	(2,279)
Payment for sale of BTX	-	(59,097)
Proceeds from sale of China operations, net of acquisition cost	1,325,744	-
Net cash provided by investing activities	1,186,192	1,452,712
Financing activities:		
Proceeds from issuance of Series H-1 preferred stock and warrants	1,575,000	-
Borrowings under loan payable obligations	115,753	-
Repayment under loan payable obligations	(51,106)	(4,043)
Repayments under other payable to Zurich	(360,000)	(290,000)
Repayments of short term promissory notes	(4,000)	-
Dividends paid on preferred stock	-	(146,520)
Net cash provided by (used in) financing activities	1,275,647	(440,563)
Effect of exchange rate changes on cash	91,510	45,550
Net (decrease) increase in cash and cash equivalents	(128,763)	187,290
Cash and cash equivalents, beginning of the year	2,364,360	2,177,070
Cash and cash equivalents, end of the year	$ 2,235,597	$ 2,364,360

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the years ended April 30,			
		2016		2015
Schedule of non-cash investing and financing activities:				
Declaration on preferred dividend payable	$	4,742,768	$	2,508,518
Conversion of senior secured convertible note and related make-whole amount to Series F-1 preferred stock Series G-1 preferred stock	$	-	$	973,180
Conversion of senior secured convertible note and related make-whole amount to Series F preferred stock Series G preferred stock	$	-	$	451,141
Conversion of dividends payable related to make-whole amount to common stock	$	4,457,356	$	1,622,954
Conversion of dividends payable related to Series F-1 preferred stock	$	624,977	$	133,532
Conversion of dividends payable related to Series G-1 preferred stock	$	337,981	$	-
Conversion of short term convertible note to Series H preferred stock	$	1,299,000	$	-
Conversion of Preferred E to short term promissory note	$	-	$	2,438,000
Conversion of Series F and F-1 preferred stock through the issuance of common stock	$	3,292,741	$	1,669,915
Conversion of Series G and G-1 preferred stock through the issuance of common stock	$	1,827,956	$	110,035
Conversion of Series H preferred stock through the issuance of common stock	$	892,738	$	-
Conversion of Series H-1 preferred stock through the issuance of common stock	$	75,000	$	-
Settlement of debt, make-whole interest and other liabilities on sale of BTX	$	-	$	1,962,000
Settlement of capitalized software and other assets on sale of BTX	$	-	$	1,883,000
Settlement of severance obligation and sale of Pride	$	-	$	970,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Description of the Business

The Company currently specializes in low voltage communications, audio-visual and security contracting services, conducting business in one segment but two operation centers, through its wholly-owned domestic subsidiaries, WPCS International - Suisun City, Inc. (“Suisun City Operations”) and WPCS International - Texas Operations, Inc. (“Texas Operations”).

The Company is a full-service low voltage contractor that specializes in the installation and service of Voice & Data Networks, Security Systems, Audio-Visual Solutions, and Distributed Antenna Systems and provides experienced project management and delivers complex projects to key vertical markets that include Healthcare, Education, Transportation, Energy & Utilities, Oil & Gas, Manufacturing, Commercial Real Estate, Financial, Government, etc.

The Company also has strategic alliances with technology partners to provide consulting and application software development services for collaboration, visualization and unified communications and is aligned with major manufacturers to provide the products and technology for seamless integrated and enhanced user experience for enterprise solutions.

Basis of Presentation

The consolidated financial statements of WPCS International Incorporated, a Delaware corporation (“WPCS”) and its wholly and majority-owned subsidiaries, (collectively, the “Company”) included in this Report for the years ended April 30, 2016 and 2015, reflect the accounts of current and former entities as either continued or discontinued operations, as discussed below.

Continuing operations for the years ended April 30, 2016 and 2015 include the results of operations of the: WPCS International Incorporated (corporate operating expenses), Suisun City Operations and the Texas Operations, the Company’s only two active operations; WPCS Incorporated, an inactive subsidiary; and WPCS International – Trenton, Inc. (“Trenton Operations”), which was closed in September 2013.

Discontinued operations for the year ended April 30, 2015 include the results of The Pride Group (QLD) Pty Ltd. (“Pride”), BTX Trader, LLC (“BTX”) and WPCS Asia Limited, a 60% joint venture interest in Tai'an AGS Pipeline Construction Co. Ltd. (the “China Operations”), as well as the various transactions involving the sale of substantially all of the assets of each of WPCS International - Seattle, Inc. (“Seattle Operations”) and WPCS International - Portland, Inc. (“Portland Operations”). Discontinued operations for the year ended April 30, 2016 only includes results from the China Operations.

NOTE 2 – LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 2016, The Company had a working capital surplus of approximately $2,061,000. This compares to a working capital deficit of approximately $1,246,000 at April 30, 2015.

The Company’s cash and cash equivalents balance at April 30, 2016 was $2,236,000 as compared to $2,364,000 at April 30, 2015.

The Company's future plans and growth are dependent on its ability to increase revenues and continue its business development efforts surrounding its contract award backlog. If the Company continues to incur losses and revenues do not generate from the backlog as expected, the Company may need to raise additional capital to expand its business and continue as a going concern. The Company currently anticipates that its current cash position, along with the receipt of $1,150,000 associated with the Cooper Union settlement (see Footnote 15 – Subsequent Events), will be sufficient to meet its working capital requirements to continue its sales and marketing efforts for at least 12 months from the filing date of this report. If in the future our plans or assumptions change or prove to be inaccurate, the Company may need to raise additional funds through public or private debt or equity offerings, financings, corporate collaborations, or other means. The Company may also be required to reduce operating expenditures or investments in its infrastructure.

NOTE 3 - 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.

Reclassifications

Certain reclassifications have been made in prior years' consolidated financial statements to conform to the current year's presentation. These reclassifications reflect the results of the BTX, China, Australia and Seattle Operations as discontinued operations for all periods presented.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with a 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 cash equivalents with major domestic financial institutions. 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. The Company does not require collateral in most cases, but may file claims against the construction project if a default in payment occurs.

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.

As of April 30, 2016, the Company has two customers who comprised 55% of the Company’s total accounts receivable as compared to one customer who comprised 61% of the total accounts receivable at April 30,2015. Also included in the accounts receivable is retainage receivable of $326,000 and $1,119,000 at April 30, 2016 and 2015, respectively, and both the retainer and aged accounts receivable are expected to be collected.

Comprehensive Loss

The Company reports comprehensive loss and its components in its consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments, affecting stockholders’ equity that, under Accounting Principles Generally Accepted in the United States of America (“U.S, GAAP”), is excluded from net loss.

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. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets (two to three years).

Fair Value of Financial Instruments

The Company’s material financial instruments at April 30, 2016 and 2015 for which disclosure of fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, loans payable, promissory notes and short-term bank loan. The fair values of cash and cash equivalents, accounts receivable, and account payable are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair values of loans payable, promissory notes and short-term bank loan do not differ materially from their aggregate carrying values, because the interest rates of these financial instruments approximate the prevailing interest rates management expects to receive if additional financing was necessary.

As defined by the Accounting Standards Codification (“ASC”), fair value measurements and disclosures establish a hierarchy that prioritizes fair value measurements based on the type of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of hierarchy are described below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly: these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity. The Company's chief financial officer determines its valuation policies and procedures associated with Level 3 inputs.

Fair Value of Series F, Series F-1, Series G and Series G-1 Preferred Stock

The fair value of the Preferred Stock is based on unobservable inputs. Such unobservable inputs include use of the Company's own data or assumptions such as earnings and discounted cash flow. The Company estimates of the fair value of the Preferred Stock is based on assumptions that market participants would use in their estimates of fair value. Some of these assumptions include estimates for expected dividends and the fair value of the underlying common stock. Using the Black Sholes pricing model and input for risk free interest rate of .97%, volatility of 180.2%, dividends of $0 and a three year term the fair value of the Preferred Series F and F-1 shares were determined to be $301.81 per share and the Preferred Series G and G-1 were determined to be $350.43 per share.

Revenue Recognition

Domestically, the Company generates its revenue by offering low voltage communications infrastructure contracting services. The Company's contracting 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. Cost-to-cost method is used because management considers it to be the best available measure of progress on these 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.

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 length of the Company's contracts varies but is typically between three months and two years. Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, as they will be liquidated in the normal course of contract completion, although this may require more than one year.

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

Other Concentrations

As of April 30, 2016, the Company has 53 union employees in its Suisun City Operations. At April 30, 2016, 76% of the Company's labor force is subject to collective bargaining agreements. Although the Company's past experience has been favorable with respect to resolving conflicting demands with these unions, it is always possible that a protracted conflict may occur which could impact the renewal of the collective bargaining agreements. The current union contract is scheduled to expire in December 2017.The Company hires union employees on an "as needed basis" and the number of union employees will vary depending on the number of jobs in process.

For the fiscal year ended April 30, 2016 and April 30, 2015, the Company had one customer, which accounted for 16.8% and 60.6% of the Company's revenue, respectively.

Share Based Compensation

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The Company determines the forfeiture rate based on the historical forfeitures of stock options previously granted to employees and directors. Historically employee stocks options have generally fully vested prior to cancellation or termination and therefore the Company has determined that the forfeiture rate was 0% for the years ended April 30, 2016 and 2015, respectively. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. 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.

On a periodic basis, the Company evaluates its ability to realize its deferred tax assets net of its deferred tax liabilities and adjusts such amounts in light of changing facts and circumstances, including but not limited to the level of past and future taxable income, and the current and future expected utilization of tax benefit carryforwards. The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is required to reduce the net deferred tax assets to the amount that is more likely than not to be realized in future periods. The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. The Company will continue to evaluate the realization of its deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

The Company performed a review for uncertainty in income tax positions in accordance with authoritative guidance. This review did not result in the recognition of any material unrecognized tax benefits as of April 30, 2016 and 2015. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses.

For the years ended April 30, 2016 and 2015, the Company recognized no interest or penalties. The statute of limitations for the Company's federal, state and foreign income tax returns for fiscal years 2013 to fiscal 2016 are still open.

Recently Issued Accounting Pronouncements

Fiscal 2016 Accounting Pronouncement Adoptions

Reporting Discontinued Operations

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective for us in our first quarter of fiscal 2016. The Company does not expect any material impact from adoption of this guidance on the Company's consolidated financial statements.

Debt Issuance Cost

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is effective for us in our first quarter of fiscal 2016. The Company does not expect any material impact from adoption of this guidance on the Company's consolidated financial statements.

Fiscal 2017 Accounting Pronouncement Adoptions

Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU No. 2014-15") that will require management to evaluate whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the financial statements are issued on both an interim and annual basis. Management will be required to provide certain footnote disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the Company's ability to continue as a going concern. ASU No. 2014-15 becomes effective for us in the first quarter of fiscal 2017. The Company will adopt ASU No. 2014-15 during the first quarter of fiscal 2017, and its adoption is not expected to have a material impact on its financial statements.

Share-Based Payments with Performance Targets

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). ASU 2014-12 requires that a performance target that affect vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation — Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for use in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. The Company will adopt ASU No. 2014-12 during the first quarter of fiscal 2017, and its adoption is not expected to have a material impact on its financial statements.

Compensation-Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted, as long as all of the amendments are adopted in the same period. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company's consolidated financial statements and disclosures.

Income Taxes

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), which changes how deferred taxes are classified on organizations' balance sheets. ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments apply to all organizations that present a classified balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption of ASU 2015-17 is permitted. The Company is currently evaluating the impact of adopting ASU 2015-17 on the consolidated financial statements.

Fiscal 2018 Accounting Pronouncement Adoptions

Revenue Recognition

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).* This ASU amends the principal versus agent guidance in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which was issued in May 2014 ("ASU 2014-09"). Further, in April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This ASU also amends ASU 2014-09 and is related to the identification of performance obligations and accounting for licenses. The effective date and transition requirements for both of these amendments to ASU 2014-09 are the same as those of ASU 2014-09, which was deferred for one year by ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. That is, the guidance under these standards is to be applied using a full retrospective method or a modified retrospective method, as outlined in the guidance, and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for annual periods, and interim period within those annual periods, beginning after December 15, 2016. The Company is currently evaluating the provisions of each of these standards and assessing their impact on the Company's consolidated financial statements and disclosures.

Fiscal 2019 Accounting Pronouncement Adoptions

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements.

NOTE 4 – BASIC AND DILUTED NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share from continuing operations is computed as net loss from continuing operations less noncontrolling interest and dividends on preferred stock, divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share reflects the potential dilution that could occur from common stock issuable through exercise of stock options, warrants and Note conversions.

The table below presents the computations of loss per share from continuing operations applicable to common stockholders, after consideration of noncontrolling interest and dividends declared on preferred stock, as follows:

	For the years ended April 30, 2016	For the years ended April 30, 2015
Numerator:		
Loss from continuing operations attributable to WPCS common shareholders	$ (9,118,522)	$ (9,506,300)
Income (loss) from discontinued operations, basic and diluted	848,476	(1,822,239)
Net loss attributable to WPCS common shareholders, basic and diluted	$ (8,270,046)	$ (11,328,539)
Denominator:		
Basic and diluted weighted average shares outstanding	2,290,050	672,723
Basic and diluted loss from continuing operations per common share	$ (3.98)	$ (14.13)
Basic and diluted income (loss) from discontinued operations per common share	0.37	(2.71)
Basic and diluted loss per common share	$ (3.61)	$ (16.84)

The following were excluded from the computation of diluted shares outstanding due to the losses for the years ended April 30, 2016 and 2015, as they would have had an anti-dilutive impact on the Company's net loss (all amounts are rounded to 000).

	As of April 30,	
	2016	2015
Common stock equivalents:		
Common stock options	3,290,000	41,000
Series F and F-1 preferred stock	-	496,000
Series G and G-1 preferred stock	-	291,000
Series H and H-1 preferred stock	1,076,000	-
Make-whole on preferred shares	-	204,000
Common stock purchase warrants	1,295,000	16,000
Totals	5,661,000	1,048,000

NOTE 5 - 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, 2016 and 2015:

	April 30, 2016	April 30, 2015
Costs incurred on uncompleted contracts	28,884,776	$ 32,008,307
Estimated contract earnings	4,367,463	6,031,338
	33,252,239	38,039,645
Less: Billings to date	34,253,318	38,965,672
Total	$ (1,001,079)	$ (926,027)
Costs and estimated earnings in excess of billings on uncompleted contracts	357,210	$ 420,434
Billings in excess of cost and estimated earnings on uncompleted contracts	1,358,289	1,346,461
Total	$ (1,001,079)	$ (926,027)

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which circumstances requiring the revisions become known. Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30, 2016 and 2015:

	Estimated useful life (years)	2016	2015
Furniture and fixtures	5-7	$ 74,265	$ 74,265
Computers and software	2-3	283,928	273,755
Vehicles	5-7	909,175	799,012
Machinery and equipment	5	88,689	88,689
Leasehold improvements	2-3	291,688	291,688
		1,647,745	1,527,409
Less accumulated depreciation		(1,409,945)	(1,364,423)
		$ 237,800	$ 162,986

Depreciation and amortization expense for property and equipment for the years ended April 30, 2016 and 2015 was approximately $65,000 and $60,000, respectively.

NOTE 7 – INCOME FROM SECTION 16 SETTEMENTS

For the years ended April 30, 2016 and 2015 the Company received income from Section 16 settlements of approximately $400,000 and $1,402,000, respectively. This income was comprised of forgiveness of certain promissory notes and receipt of cash as part of the settlements with certain note holders who were defendants named in a Section 16 litigation brought by a shareholder of WPCS. These settlements resolved all issues related to this litigation.

NOTE 8 – BANK LINE OF CREDIT

On May 20, 2015, the Company entered into an asset-based revolving credit line agreement with a California-based bank, which provides a $1,000,000 line of credit for its Suisun Operations. The line of credit expires on August 15, 2017, has an interest rate of prime plus 2% and is subject to a monthly borrowing base calculation based upon eligible accounts receivable. The line of credit is secured by all the assets of the Company. In addition, the line of credit requires our Suisun Operations to comply with certain financial and operational covenants. These covenants require our Suisun Operations to, among other things, maintain a certain quick ratio and a minimum net worth, which the Suisun Operations is in compliance with. As of the filing date of this report the Company has not drawn down on the line of credit.

NOTE 9 – LOANS PAYABLE

As of April 30, 2016 and 2015 the Company had approximately $149,000 and $84,000 of loans payable, respectively. These loans are associated with the purchase or automobiles and carry interest rates ranging from 3.89% to 4.89%. The due dates of these loans range from August 2016 to February 2020. As of April 30, 2016 the Company has classified approximately $54,000 as short term and $95,000 as long term loans payable.

NOTE 10 - RETIREMENT PLANS

Employee Benefit Plan

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 no Company matching contributions made for the years ended April 30, 2016 and 2015.

Union Sponsored Pension Plan

The Company also contributes to one multiemployer pension plan pursuant to a collective bargaining agreement. The information available to the Company about the multiemployer plan in which it participates, whether via request to the plan or publicly available, is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act ("ERISA") as amended by the Multiemployer Pension Plan Amendments Act ("MPPAA"). Based upon the plans most recently available annual report, the Company's contribution to the plan was less than 5% of each such plans total contributions. The "FIP/RP Status Pending or Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

The risks of participation in a multiemployer plan is different than single-employer plans in the following aspects; (i) assets contributed to the plan by a company may be used to provide benefits to participants of other companies;(ii) if a participating company discontinues contributions to a plan, other participating employers may have to cover and unfunded liability that may exist; and (iii) if the Company stops participating in the multiemployer pension plan, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Information on the significant multiemployer pension plan in which the Company participates is included in the table below.

Pension Plan Legal name	Federal Identification Number	Pension Certified Zone Status 2016	Pension Certified Zone Status 2015	FIP/RP Status Pending or Implemented	Expiration of Collective Bargaining Arrangement	Company's Contributions 2016	Company's Contributions 2015
International Brotherhood of Electrical Workers District No. 9 Pension Plan	93-6074829	NA	Green	No	11/30/2017	$ 366,923	$ 489,786

Governmental regulations impose certain requirements relative to the multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Company has not received information from the plan's administrators to determine its share of unfunded vested benefits. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

NOTE 11 - INCOME TAXES

Loss from continuing operations before provision for income taxes shown below is based on the geographic locations to which such loss is attributed for the years ended April 30:

	Years Ended April 30, 2016	Years Ended April 30, 2015
Loss income before income taxes:		
Domestic	$ (3,629,549)	$ (6,928,103)
Foreign	-	-
Totals	$ (3,629,549)	$ (6,928,103)

The provision for income taxes from continuing operations for the years ended April 30, 2016 and 2015 is summarized as follows:

	Years Ended April 30, 2016	Years Ended April 30, 2015
Current		
Federal	$ -	$ (175)
State	1,706	43,914
Foreign	-	25,940
Totals	1,706	69,679
Deferred		
Federal	-	-
State	-	-
Foreign	-	-
Totals	-	
Total provision for income taxes	$ 1,706	$ 69,679

The actual provision for income taxes from continuing operations reflected in the consolidated statements of operations for the years ended April 30, 2016 and 2015 differs from the provision 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:

	Years Ended April 30, 2016	Years Ended April 30, 2015
Expected tax (benefit) provision at statutory rate (34%)	$ (1,233,531)	$ (2,355,555)
Rate differential between US statutory rate (34%) and foreign tax rates	-	25,940
Foreign Tax Deduction	-	(8,820)
State and local taxes, net of federal tax benefit	(675,924)	(214,606)
Valuation allowance	1,288,447	(208,988)
Non deductible financing costs	-	963,857
Write-off of Foreign Tax Credits	265,600	-
Inducement Expense	136,000	1,867,566
Permanent differences	1,706	285
Other	219,408	-
Totals	$ 1,706	$ 69,679

Deferred tax assets and liabilities are provided for the effects of temporary difference between tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components of the Company's deferred tax assets and liabilities are as follows:

	April 30, 2016	April 30, 2015
Deferred tax assets:		
Allowance for doubtful accounts	$ 36,156	$ 34,392
Bonus and vacation accruals	53,727	79,274
Non-qualified stock options	1,135,090	144,972
Federal benefit for foreign tax credit	-	265,600
Accruals	-	-
Valuation allowance	(1,224,973)	(524,238)
Deferred tax assets-current	-	-
Intangible assets	-	-
Goodwill	-	-
Capital loss carryforward	4,126,345	3,884,389
Property and equipment	43,948	26,434
Net operating loss carryforward	12,590,576	12,262,334
Valuation allowance	(16,760,869)	(16,173,157)
Deferred tax assets-long term	-	-
Net deferred tax assets (liabilities)	$ -	$ -

At April 30, 2016, the Company has net operating loss carryforwards for Federal tax purposes approximating $30.7 million expiring through 2036. The Company also has net operating loss carryforwards in multiple states approximating $36.8 million and expiring in varying amounts through 2036. However, the future use of some or all of such carried forward domestic losses may be limited by Sec. 382 of Internal Revenue Code in the event of an ownership change.

The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. Based on its analysis as of April 30, 2016, the Company increased its valuation allowance by approximately $1,288,447 on its domestic deferred tax assets. Due to the uncertainty of recognizing a tax benefit on loss carryforwards, the Company has provided a valuation allowance of approximately $17,986,000 at April 30, 2016.

At April 30, 2016, the Company's net deferred tax assets are fully offset by a valuation allowance. The Company continues to analyze the realizability of its deferred tax assets on a regular basis.

Accounting for uncertainty in income taxes requires uncertain tax positions to be classified as non-current income tax liabilities unless they are expected to be paid within one year. The Company has concluded that there are no uncertain tax positions requiring recognition in its consolidated financial statements as of April 30, 2016 and 2015. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense. For the years ended April 30, 2016 and 2015 there was no interest expense relating to unrecognized tax benefits.

The Company and its domestic subsidiaries file a U.S. federal consolidated income tax return. The U.S. federal statute of limitations remains open for the years April 30, 2013 and thereafter. State income tax returns are generally subject to examination for a period of 3 to 5 years after filing the respective return. The Company is not currently under examination by any taxing authority.

NOTE 12 – SHAREHOLDERS' EQUITY

Preferred Shares

Series H Preferred Stock

On June 30, 2015, the Company entered into Amendment, Waiver and Exchange Agreements (the "Exchange Agreements") with certain of its promissory note holders, who held $1,299,000 in principal amount of unsecured promissory notes of the Company. Pursuant to the terms of the Exchange Agreements, the Holders agreed to exchange all of the existing indebtedness for, and the Company agreed to issue to the Holders, an aggregate of 8,435 shares of the Company's newly designated Series H Convertible Preferred Stock, par value $0.0001 per share ("Series H Preferred Stock"). Each share of Series H is convertible into 100 shares of common stock.

Accounting at issuance

The fair value of the Series H Preferred Stock approximated the carrying value of the promissory note based on the fair market value of the common stock at $1.54 at the date of the transaction and therefore not gain or loss was recorded upon extinguishment of debt.

Conversions of Series H Preferred Stock

For the period from July 2, 2015 to April 30, 2016, holders of Series H preferred stock have converted 5,797 shares of Series H preferred into 579,700 shares of common stock.

Series H-1 Preferred Stock

Between July 14 and July 20, 2015, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with four Investors pursuant to which the Company issued to the Investors an aggregate of 8,532 shares of Series H-1 Preferred Convertible Stock of the Company, par value $0.0001 per share ("Series H-1 Shares"), and warrants to purchase 1,279,759 shares of common stock of the Company , with an exercise price of between $1.63 and $1.66 per share (the "Warrants"). The purchase price for each Series H-1 Share was between $163 and $166 and the purchase price for each warrant was $0.1250 per share of common stock, for an aggregate purchase price for the Series H-1 Shares and Warrants of $1,575,000.

The Company has determined that the Warrants qualify for accounting as equity classification. On the issuance date, the Company estimated the fair value of the Warrants at $1,649,000 under the Black-Scholes option pricing model using the following primary assumptions: contractual term of 5.0 years, volatility rate of 103%, risk-free interest rate of 2% and expected dividend rate of 0%. Based on the Warrant's relative fair value to the fair value of the Series H-1 Preferred Convertible Stock, approximately $841,000 of the $1,575,000 of proceeds was allocated to the Warrants, creating a corresponding preferred stock discount in the same amount.

Due to the reduction of allocated proceeds to Series H-1 Shares the effective conversion price was approximately $0.80 per share or $704,000 in aggregate. Since the conversion option of the preferred stock was immediately exercisable, the amount allocated to the Beneficial Conversion Feature was immediately accreted to preferred dividends, resulting in an increase in the carrying value of the preferred stock.

Each share of Series H-1 Preferred Stock is convertible into 100 shares of common stock.

For the period from July 20, 2015 to April 30, 2016, holders of Series H-1 preferred stock have converted 413 shares of Series H-1 preferred into 41,300 shares of common stock. The conversion of these shares resulted in a deemed dividend of $41,000.

Conversion of Preferred Shares

For the year ended April 30, 2016 the Company issued approximately 1,408,000 common stock conversion shares, 205,000 common stock make-whole shares and 46,000 common stock dividend shares upon the conversion of series F, F-1, G, G-1, H and H-1 preferred shares. As a result of these conversions, the Company has no remaining Series F, F-1, G or G-1 preferred shares remaining.

Stock-Based Compensation Plans

2014 Equity Incentive Plan

In January 2014, the Company adopted the 2014 Equity Incentive Plan, under which officers, directors, key employees or consultants may be granted options. In September 2015, the Company amended and restated the 2014 Equity Incentive Plan. Under the 2014 Equity Incentive Plan, 3,659,091 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. Under the terms of the 2014 Equity Incentive 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 from immediately to three years of continuous service and have five-year contractual terms. At April 30, 2016, options to purchase 3,289,130 shares were outstanding at an exercise price of $1.19 to $26.40. At April 30, 2016, there were 369,961 options available for grant under the 2014 Equity Incentive Plan.

2007 Incentive Stock Plan

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, 2,597 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 2007 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, 2016, options to purchase 910 shares were outstanding at exercise prices ranging from $8.58 to $13.20. At April 30, 2016, there were 1,687 options available for grant under the 2007 Incentive Stock Plan.

2006 Incentive Stock 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, 2,597 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, 2016, there were no options outstanding under this plan. At April 30, 2016, there were 2,597 options available for grant under the 2006 Incentive Stock Plan.

2002 Plan

In March 2003, the Company established a stock option plan pursuant to which options to acquire a maximum of 2,706 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, 2016, options to purchase 233 shares were outstanding at exercise prices ranging from $13.20 to $61.82. At April 30, 2016, there were no further shares available for grant under the 2002 Plan as the ten-year term of the 2002 Plan had been reached.

The following table summarizes stock option activities for the Company's option plans for the years ended April 30, 2016 and 2015:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of April 30, 2014	1,917	$ 14.76	$ -	3.3
Employee options granted	46,363	20.06	-	5.1
Forfeited/expired	(7,592)	25.52	-	-
Outstanding as of April 30, 2015	40,688	18.79	-	5.9
Employee options granted	4,054,250	1.32	-	7.6
Forfeited/expired	(804,665)	1.37	-	-
Outstanding as of April 30, 2016	3,290,273	$ 1.52	$ -	9.4
Options vested and exercisable	2,475,386	$ 1.58	$ -	9.4

The Company recorded stock based compensation expense of $2,506,234 and $170,562, which is included as part of selling, general and administrative expenses for the years ended April 30, 2016 and 2015, respectively. The expense of $2,506,234 for the year ended April 30, 2016 is comprised of $2,438,734 for the issuance of stock options and $67,500 for the issuance of restricted common shares under a consulting agreement.

The following assumptions were used to compute the fair value of stock options granted during the years ended April 30, 2016 and 2015:

	For the years ended April 30,	
	2016	2015
Exercise price	$1.19 - $1.53	$4.84 - $26.40
Expected stock price volatility	101.7% - 104.1%	103.0% - 131.5%
Risk-free rate of interest	1.3%-1.6%	1.1% - 1.3%
Expected term (years)	5.0	5.0

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. 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.

Modification of performance targets

On September 29, 2015 and November 2, 2015 the Company issued 801,250 options to purchase common stock to five employees. These options vested subject to the employees achieving performance targets of either: (i) The Company records $30 million in sales revenue by April 30, 2016, or: (ii) The Company closes a change in control merger transaction by September 1, 2016. The total compensation expense related to the options was calculated to be approximately $822,000 using the inputs in the table above and the Company recognized that expense in its statement of operations for the period from September 29, 2015 to April 30, 2016.

On April 25, 2015, the Company determined that the revenue target of $30 million and the September 1, 2016 merger transaction date were not achievable during the measurement period. Subsequently, the Compensation Committee of the Board of Directors modified the performance targets to allow vesting of the 801,250 stock options if the Company completes a merger or acquisition transaction by December 31, 2016 and removed the revenue target and September 1, 2016 merger target date. The Company recalculated the compensation expense associated with this amendment on April 25, 2016, to be approximately $776,000.

On April 25, 2016, the Company reversed the $822,000 of compensation expense associated with the September and November 2015 issuances and plans to record the $776,000 of compensation expense calculated on the April 25, 2016 amendment date, if and when the December 31, 2016 performance target is achieved.

Common Stock Warrants

The following is a summary of the common stock warrant activity for the years ended April 30, 2016 and 2015:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life in years
Outstanding, April 30, 2014	171,582	72.27	3.0
Warrants exchanged in connection with the Amendment	(156,072)	47.39	-
Outstanding as of April 30, 2015	15,510	7.25	3.3
Warrants issued in connection with Series H-1 preferred stock for cash	1,279,759	1.66	4.3
Outstanding, April 30, 2016	1,295,269	1.73	4.2

NOTE 13 - DISCONTINUED OPERATIONS

The Company previously disclosed the details regarding the sales of Pride, BTX, and substantially all the assets of its Seattle Operations in its Form 10-K filed for the year ended April 30, 2015.

China Operations

On June 3, 2015, the Company entered into an Interest Purchase Agreement with Halcyon Coast Investment (Canada) Ltd. to sell TAGS in an "as-is", all-cash transaction, for a total purchase price of $1,500,000 and received a $150,000 refundable deposit at signing. The Transaction closed on August 14, 2015, whereby the Company received the remaining cash proceeds of $1,350,000, of which: (i) it paid approximately $100,000 in a broker’s fee and (ii) $100,000 was held in escrow, pending a final determination by the Chinese government with respect to any tax obligations arising from the transaction. Otherwise, the transaction is not subject to any further post-closing adjustments. On September 20, 2015, the final tax determination was made and the Company received $93,000 of the escrow and $7,000 was paid to the buyer to settle the outstanding tax obligation.

The Company recognized a gain on the sale of the China Operations of approximately $838,000, as it received $1,500,000 in cash, offset by the sale of approximately $9,350,000 of assets, $7,935,000 of liabilities, reversal of approximately $349,000 of accumulated other comprehensive income and $577,000 noncontrolling interest and incurring approximately $174,000 in closing costs.

The Company recorded the revenue and profit from short-term contracts from its China Operations under the completed contract method, whereas income is recognized only when a contract is completed or substantially completed. Accordingly, during the period of performance, billings and deferred contract costs are accumulated on the consolidated balance sheets as deferred contract costs and deferred revenue. The Company’s accounting policy is based on the short-term nature of the work performed. Deferred contract costs include equipment lease deposits to the third party vendors of approximately $0 and $969,000 as of April 30, 2016 and April 30, 2015, respectively. The revenue results from the China Operations are included in discontinued operations for the years ended April 30, 2016 and 2015.

Since the sale of the China Operations closed on August 14, 2015, the Company has determined that the activity of the China Operations should be classified as discontinued operations for the years ended April 30, 2016 and 2015. In addition, during the year ended April 30, 2015, the Company had completed the sales of Pride, BTX, and substantially all of the assets of the Seattle Operations. As a result, the Company has reported the financial activity of Pride, BTX and Seattle as discontinued operations for the year ended April 30, 2015. The following is a summary of the operating results for the discontinued operations as follows:

Below is a summary of the operating results for the discontinued operations is as follows:

	For the years ended April 30, 2016	For the years ended April 30, 2015
Revenue	$ 839,969	$ 8,773,567
Costs and expenses:		
Cost of revenue	546,296	6,078,094
Selling, general and administrative expenses	125,324	2,963,330
Depreciation and amortization	80,971	1,144,056
Impairment loss on capitalized software	-	827,449
	752,591	11,012,929
Operating income (loss) from discontinued operations	87,378	(2,239,362)
Interest expense	(49,234)	(245,936)
Income (loss) from discontinued operations before income tax provision	38,144	(2,485,298)
Income tax provision	10,883	64,815
Income (loss) from discontinued operations, net of tax	27,261	(2,550,113)
Gain from disposal	837,720	798,896
Gain from disposal of BTX	-	19,700
Loss from disposal of Seattle Operations	-	(374,932)
Total income (loss) from discontinued operations	$ 864,981	$ (2,106,449)

There were no assets or liabilities included in the consolidated balance sheets for the Hartford and Lakewood Operations at April 30, 2016 or 2015.

The following table summarizes the assets and liabilities held for sale:

	April 30, 2016	April 30, 2015
Assets		
Current assets:		
Accounts receivable, net of allowance	$ -	$ 4,264,451
Prepaid expenses and other current assets	-	34,800
Deferred contract cost	-	267,000
Total current assets held for sale	-	4,566,251
Property and equipment, net	-	963,119
Other assets	-	14,000
Total other assets held for sale	-	977,119
Total assets held for sale	$ -	$ 5,543,370
Liabilities		
Accounts payable and accrued expenses	$ -	$ 1,700,943
Due to related party	-	785,684
Short term bank loan	-	3,224,180
Total current liabilities held for sale	-	5,710,807
Total liabilities held for sale	$ -	$ 5,710,807

Short-Term Bank Loan

As of April 30, 2015, the China Operations had a short-term bank loan of $3,224,000, with the Bank of China (the "Short-Term Bank Loan") with an interest rate of 7.38% due quarterly. The original August 1, 2014 maturity date of the Short-Term Bank Loan was extended to July 31, 2015. This loan was paid off upon the sale of our China Operations.

Due to Related Party

As of April 30, 2016 and April 30, 2015, the China Operations had outstanding payables, representing interest accrued on working capital loans and cash provided for the purpose of retiring the short term bank loan in the amounts of $0 and $786,000, respectively, due on demand to a related party, TGG. This loan, which was since paid off, was not guaranteed by WPCS. Interest expense for the years ended April 30, 2016 and 2015 was immaterial. This payable was classified as short-term liabilities held for sale in the Company's financial statements as of April 30, 2015.

The China Operations earned revenue for contracting services provided to TGG (noncontrolling interest in China Operations) and subsidiaries of $212,000 and $1,661,000 for the year ended April 30, 2016 and 2015, respectively. The China Operations accounts receivable due from TGG and subsidiaries was $0 and $0 as of April 30, 2016 and 2015, respectively.

Noncontrolling Interest

The Company presents the 40% non-controlling interest associated with the China Operations as a component of equity, along with any changes in the Company's ownership interest, and will continue as such, for as long as the Company retains its controlling interest. Upon a loss of control, retained ownership interest will be re-measured at fair value, with any gain or loss recognized in earnings. Income and losses attributable to the non-controlling interests associated with the China Operations are presented separately in the Company's financial statements.

Noncontrolling interest for the years ended April 30, 2016 and 2015 consists of the following:

	For the years ended April 30,	
	2016	2015
Balance, beginning of year	$ 560,915	$ 846,205
Net (loss) income attributable to noncontrolling interest	-	(284,211)
Other comprehensive loss attributable to noncontrolling interest	-	(1,079)
Reclassification adjustments of net loss attributable to noncontrolling interest on sale of China Operations	(560,915)	-
Balance, end of year	$ -	$ 560,915

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

On September 29, 2015, the Company entered into change in control agreements (the "Agreements") with its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO").

The Agreements have initial terms of four years and automatically extend for additional one-year periods at the expiration of the initial term and on each anniversary thereafter unless either party notifies the other party of non-renewal no later than 30 days prior to such anniversary. Under the Agreements, The CEO and CFO are entitled to payments of $350,000 and $150,000, respectively, upon a change in control of the Company.

All payments under the Agreements are contingent upon the respective officer's execution and non-revocation of a general release of claims against the Company.

Lease Commitments

The Company leases its office facilities pursuant to noncancelable operating leases expiring through July 2019. The Company also has noncancelable vehicle and office equipment leases. The minimum rental commitments under these noncancelable leases at April 30, 2016 are summarized as follows:

Year ending April 30,		
2017	$	183,839
2018		105,730
2019		87,449
Total minimum lease payments	$	377,018

Rent expense for all operating leases was approximately $101,000 and $126,000 in 2016 and 2015, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Cooper Union Settlement

On June 16, 2016, the Company entered into a settlement agreement and mutual release to resolve disputes regarding the construction of the Cooper Medical School at Rowan University, located in Camden, New Jersey, in which the Company served as an electrical prime contractor. During July 2016, the Company received $1,150,000 in the settlement from all existing lawsuits and all claims among the parties were released.

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

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 Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. 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 management's evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is 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.

There were no changes in our internal control over financial reporting that occurred during the quarter ended April 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of April 30, 2016.

This annual report does not include an attestation report by Marcum LLP, our independent registered public accounting firm, regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our directors and executive officers and their ages, titles, and biographies are set forth below:

NAME	AGE	OFFICES HELD
Sebastian Giordano	59	Chief Executive Officer and Director
David Allen	61	Chief Financial Officer
Robert Roller	64	President, WPCS International – Suisun City, Inc.
Charles Benton	65	Director
Norm Dumbroff	55	Director
Edward Gildea	64	Director

The Board and its Nominating and Corporate Governance Committee (the "Nominating Committee") believe the skills, qualities, attributes and experience of the directors provide the Company with business acumen and a diverse range of perspectives to engage each other and management to address effectively the Company's evolving needs and represent the best interests of the Company's stockholders. Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected. Officers are elected annually and serve at the discretion of the Board of Directors.

Sebastian Giordano, Chief Executive Officer and Director

Mr. Giordano served as the Interim Chief Executive Officer of the Company from August 2013 until April 25, 2016, when the interim label was removed from his title. He has served as the Chief Executive Officer of the Company since such time. Mr. Giordano has served as a director of WPCS since February 2013. Since 2002, Mr. Giordano has been Chief Executive Officer of Ascentaur, LLC, a business consulting firm providing comprehensive strategic, financial and business development services to start-up, turnaround and emerging growth companies. From 1998 to 2002, Mr. Giordano was Chief Executive Officer of Drive One, Inc., a safety training and education business. From 1992 to 1998, Mr. Giordano was Chief Financial Officer of Sterling Vision, Inc., a retail optical chain. Mr. Giordano received B.B.A. and M.B.A. degrees from Iona College. Mr. Giordano's executive business experience was instrumental in his selection as a member of our Board of Directors.

David Allen, Chief Financial Officer

Mr. Allen has been Chief Financial Officer of the Company since December 2014. Since June 2004, Mr. Allen has served as the Chief Financial Officer and a member of the board of Bailey's Express, Inc., a private, family-owned business. From June 2006 to June 2013, Mr. Allen was the Chief Financial Officer and Vice President of Administration for Converted Organics, Inc. an environmentally friendly clean technology company. Previously, Mr. Allen served as Chief Financial Officer (1999 – 2003) and President and Chief Executive Officer (2003 – 2004) for Millbook Press, Inc., a Brookfield, Connecticut publisher of children's books and as the chief financial officer and vice president of administration of JDM, Inc., a Wilton, Connecticut business development and consulting company to the direct marketing business. Mr. Allen has also previously worked for DeAgostini USA Inc., Contiki Travel and Arthur Andersen & Co. Mr. Allen has been an adjunct professor at Western Connecticut State University from 2005 to 2016. Mr. Allen holds a B.S. degree in Accounting and an M.S. degree in Taxation from Bentley University in Waltham, Massachusetts. Mr. Allen is a Certified Public Accountant.

Robert Roller, President, WPCS International - Suisun City, Inc.

Mr. Roller has served as the President of the Suisun City Operations, a subsidiary of the Company, since January of 2012. Prior to joining the Company's Suisun City Operations, Mr. Roller served as President of MCS Fire and Security and Argyle Security from 2004 until 2012. Previously, Mr. Roller served as Director of West Coast Operations, Siemens Building Technology (2002 – 2004) and as Vice President of Pinkerton Security West Coast Operations (1999 – 2002). Before working in the private sector, Mr. Roller retired in May 1992 from the Marine Corps after 22 years of service, both as an enlisted and as an officer. Mr. Roller holds a B.S. degree in Aeronautics from Embry–Riddle Aeronautical University.

Charles Benton, Director

Mr. Benton has been a director of WPCS since July 2012. Since February 2008, Mr. Benton has served as the Director of Distribution Services – Supply Chain for Charming Shoppes, Inc., a leading national specialty retailer of women's apparel operating more than 1,800 retail stores throughout the United States. Prior to that, from March 2006 to January 2008, he served as Director of Finance – Supply Chain for Charming Shoppes, and from May 1999 to February 2006, as Manager of Finance – Supply Chain for Charming Shoppes. Previously, Mr. Benton spent approximately 20 years for Consolidated Rail Corporation. He holds a B.S. degree in accounting from St. Joseph's University in Philadelphia, Pennsylvania. Mr. Benton's financial experience was instrumental in his selection as a member of our board of directors.

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. Mr. Dumbroff's experience with wireless communications, his engineering background and his senior executive experience was instrumental in his selection as a member of our board of directors.

Edward Gildea, Director

Mr. Gildea became a director of WPCS in February 2013. Since February 2014, Mr. Gildea has been a partner in the law firm Fisher Broyles LLP. From 2006 to 2013, Mr. Gildea was President, Chief Executive Officer and Chairman of the Board of Directors of Converted Organics Inc., a publicly held green technology company that manufactured and sold an organic fertilizer, made from recycled food waste. Mr. Gildea is a director for the following publicly held companies: Worlds, Inc. (intellectual property) and Worlds Online Inc. (online games). Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea's executive business experience was instrumental in his selection as a member of our Board of Directors.

Identification of Certain Significant Employees

None.

Family Relationships

None.

Involvement in Certain Legal Proceedings

During the past ten years, none of our directors or executive officers has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities;
- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;
- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Meetings and Committees of the Board of Directors

During the fiscal year ended April 30, 2016, our board of directors held 7 meetings and approved certain actions by unanimous written consent. We expect our directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Each director attended, either in person or telephonically, at least 75% of the aggregate Board of Directors meetings and meetings of committees on which he served during his tenure as a director or committee member.

Audit Committee

Our Audit Committee consists of Charles Benton, Norm Dumbroff, and Edward Gildea, with Mr. Benton appointed as Chairman of the Committee. Our Board of Directors has determined that all of the members are “independent” as that term is defined under applicable SEC rules and under the current listing standards of The NASDAQ Stock Market.

The Board has determined that Mr. Benton qualifies as an “audit committee financial expert” as defined under applicable SEC rules, and that all members of the Audit Committee meet the additional criteria for independence of audit committee members set forth in Rule 10A-3(b)(1) under the Exchange Act.

The Audit Committee is responsible for overseeing the Company’s corporate accounting, financial reporting practices, audits of financial statements, and the quality and integrity of the Company’s financial statements and reports. In addition, the Audit Committee oversees the qualifications, independence and performance of the Company’s independent auditors. In furtherance of these responsibilities, the Audit Committee’s duties include the following: evaluating the performance and assessing the qualifications of the independent auditors; determining and approving the engagement of the independent auditors to perform audit, reviewing and attesting to services and performing any proposed permissible non-audit services; evaluating employment by the Company of individuals formerly employed by the independent auditors and engaged on the Company’s account and any conflicts or disagreements between the independent auditors and management regarding financial reporting, accounting practices or policies; discussing with management and the independent auditors the results of the annual audit; reviewing the financial statements proposed to be included in the Company’s annual or transition report on Form 10-K; discussing with management and the independent auditors the results of the auditors’ review of the Company’s quarterly financial statements; conferring with management and the independent auditors regarding the scope, adequacy and effectiveness of internal auditing and financial reporting controls and procedures; and establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting control and auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The audit committee is governed by a written charter approved by the board of directors, which complies with the applicable provisions of the Sarbanes-Oxley Act and related rules of the SEC and the NASDAQ Stock Market.

Executive Committee

Our Executive Committee consists of Edward Gildea, Charles Benton, and Norm Dumbroff, with Mr. Gildea appointed 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. The executive committee is governed by a written charter approved by the board of directors.

Nominating Committee

Our Nominating Committee consists of Norm Dumbroff, Edward Gildea and Charles Benton with Mr. Dumbroff appointed 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.

The Nominating Committee is responsible for assisting the Board in identifying individuals qualified to become members of the Board and executive officers of the Company; selecting, or recommending that the Board select, director nominees for election as directors by the stockholders of the Company; developing and recommending to the Board a set of effective governance policies and procedures applicable to the company; leading the Board in its annual review of the Board’s performance; recommending to the Board director nominees for each committee; making recommendations regarding committee purpose, structure and operations; and overseeing and approving a managing continuity planning process. During the fiscal year ended April 30, 2016, there were no changes to the procedures by which holders of our common stock may recommend nominees to the Board. The nominating committee is governed by a written charter approved by the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent stockholders also are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to the Company, and on written representations from the reporting persons, the Company believes that all Section 16(a) filing requirements applicable to the Company's directors and officers were timely met during the fiscal year ended April 30, 2016.

Code of Ethics

WPCS adopted a Code of Ethics that applies to all employees, including the Company's principal executive officer, principal financial officer, and principal accounting officer, as well as to the Board. A copy of the Code of Ethics is attached hereto as an exhibit and is incorporated by reference herein.

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
Edward Gildea, Chairman
Norm Dumbroff
Charles Benton

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, 2016 should be read together with the compensation tables and related disclosures set forth below.

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.

<u>**Summary Compensation Table**</u>

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, the two highest paid executive officers and up to two other highest paid individuals whose total annual salary and bonus exceeded $100,000 for fiscal years 2016 and 2015.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Andrew Hidalgo	2015	1,051,260	-	-	-	1,051,260
Former Chairman, Chief Executive Officer and Director (1)	2016	-	-	-	-	-
Sebastian Giordano	2015	139,972	-	95,362	2,048	237,382
Chief Executive Officer (2)	2016	180,000	35,000	847,500	-	1,062,500
David Allen	2015	43,077	-	-		43,077
Chief Financial Officer (3)	2016	140,000	20,000	409,200	-	569,200
Joseph Heater	2015	347,756	35,000	-	4,500	387,256
Chief Financial Officer (4)	2016	-	-	-		-
Curtis LaChance	2015	98,342	112,719	-	-	211,061
President of Seattle Operations (5)	2016	-	-	-	-	-
Robert Roller	2015	170,000	45,873	8,000		223,873
President of Suisun Operations (6)	2016	170,000	100,000	180,575	-	450,575

(1) Mr. Hidalgo served as Chairman, Chief Executive Officer and Director from May 24, 2002, until his resignation on July 30, 2013.
(2) Mr. Giordano served as Interim Chief Executive Officer from August 1, 2013 until April 25, 2016, at which time the interim label was removed from his title.
(3) Mr. Allen has served as Chief Financial Officer since December 12, 2014.
(4) Mr. Heater served as Chief Financial Officer from July 15, 2003, until his resignation effective August 31, 2014.
(5) Mr. LaChance served as President of the Seattle Operations from August 1, 2010 until his resignation effective September 30, 2014.
(6) Mr. Roller has served as President of the Suisun Operations since January 30, 2012.

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 our achievements 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. Awards to executive officers are based on our achievement and individual performance criteria.

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.

Bonuses. 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 range of 2 - 3% of the annual profit before interest and taxes of the designated subsidiaries assigned to 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 a major 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 all stock option grants to 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.

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

Employment Agreement with Sebastian Giordano

The compensation arrangement of Sebastian Giordano, Chief Executive Officer of the Company, is set forth in a letter agreement, dated July 29, 2013, as amended on February 3, 2015. Pursuant to that agreement, Mr. Giordano is entitled to a base salary of $180,000 per year (effective as of January 1, 2015) and performance-vested options to purchase 13,636 shares of the Company's common stock. 6,818 of the options will vest if the Company completes an acquisition resulting in combined revenue of at least $30 million by July 31, 2016; the remaining 6,818 options will vest if the Company's common stock trades at or above $22.00 for 20 out of 30 consecutive trading days by July 31, 2016 (to be achieved without any changes or adjustments to the Company's capital structure).

Change in Control Agreements with Sebastian Giordano and David Allen

On September 29, 2015, the Company entered into change of control agreements (the "Agreements") with Messrs. Giordano and Allen. The Agreements have initial terms of four years and automatically extend for additional one-year periods thereafter, unless either party notifies the other of non-renewal no later than 30 days prior to such anniversary. Under the Agreements, Messrs. Giordano and Allen are entitled to payments of $350,000 and $150,000, respectively upon a change in control of the Company.

All payments under the Agreements are contingent upon the respective officer's execution and non-revocation of a general release of claims against the Company. The Agreements provide that, if necessary, payments will be reduced to the maximum amount payable without loss of a deduction under Section 280G of the Internal Revenue Code.

Change in Control Agreement with Robert Roller

On October 21, 2015, the Company's subsidiary, WPCS International - Suisun City, Inc. (the "Suisun City Operations"), entered into a change in control agreement (the "Agreement") with Robert Roller, President of the Suisun City Operations. The Agreement has an initial term of two years and automatically extends for additional one-year periods at the expiration of the initial term and on each anniversary thereafter unless either party notifies the other party of non-renewal no later than 30 days prior to such anniversary. Upon a change in control of the Company or the Suisun City Operations, the Agreement will continue for a term of two years and then expire.

Under the Agreement, Mr. Roller is entitled to a severance payment of $150,000 and unpaid compensation and benefits and unused vacation accrued through the date of termination, if he is terminated without cause or if he terminates for good reason within two years following a change in control of the Company or the Suisun City Operations. The $150,000 severance payment under the Agreement is contingent upon Mr. Roller's execution and non-revocation of a general release of claims against the Suisun City Operations and its affiliates. The Agreement provides that, if necessary, payments will be reduced to the maximum amount payable without loss of a deduction under Section 280G of the Internal Revenue Code.

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, 2016.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option Exercise Price ($/Sh)	Option Expiration Date	Number of shares or units of stock that have not vested (#)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)	Market value of shares or units of stock that have not vested ($)
Sebastian Giordano	130			$ 60.06	2018				
	11,364			$ 26.40	2019				
	50,000			$ 1.19	2025				
	650,000			$ 1.32	2025				
	150,000			$ 1.26	2026				
			350,000(1)	$ 1.32	2025				$ 479,500
			13,636(2)	$ 4.84	2025				$ 18,700
David Allen	20,000			$ 1.19	2025				
	325,000			$ 1.32	2025				
	75,000			$ 1.26	2026				
			175,000(1)	$ 1.32	2025				$ 239,750
Robert Roller	162			$ 13.20	2017				
	2,273			$ 26.40	2019				
	7,500			$ 1.19	2025				
	100,000			$ 1.32	2025				
	75,000			$ 1.26	2026				
			175,000(1)	$ 1.32	2025				$ 239,750

(1) Stock options were granted under the Amended and Restated 2014 Equity Incentive Plan and will vest upon the issuer closing on a merger transaction or acquisition transaction by December 31, 2016.

(2) Stock options were granted under the 2014 Equity Incentive Plan. 6,818 of the options will vest if the Company completes an acquisition resulting in combined revenue of at least $30 million by July 31, 2016; the remaining 6,818 options will vest if the Company's common stock trades at or above $22.00 for 20 out of 30 consecutive trading days by July 31, 2016 (to be achieved without any changes or adjustments to the Company's capital structure)

Director Compensation

The following table sets forth summary information concerning the total compensation earned by our non-employee directors during the year ended April 30, 2016 for services to our company.

Name	Fees earned or paid in cash ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Charles Benton	$ 41,000	$ 231,300	0	0	0	$ 272,300
Norm Dumbroff	$ 36,000	$ 231,300	0	0	0	$ 267,300
Ed Gildea	$ 36,000	$ 231,300	0	0	0	$ 267,300
Total	$ 113,000	$ 693,900	0	0	0	$ 806,900

Each of the Company's directors is entitled to annual compensation of $24,000 per year for his service on the Board. The chairperson of the Audit Committee is entitled to an additional $5,000 per year for his service. In the year ended April 30, 2016, the Company paid each director an additional $12,000 to compensate for prior year unpaid fees.

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

Security Ownership of Certain Beneficial Owners and Management

The following table shows certain information as of July 24, 2016 with respect to the beneficial ownership of the Company's common stock by: (i) each person the Company believes beneficially holds more than 5% of the outstanding shares of the Company's common stock based solely on the Company's review of SEC filings; (ii) each director; (iii) each named executive officer; and (iv) all directors and executive officers as a group. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o WPCS International, Inc., 521 Railroad Avenue, Suisun City, California, 94585.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 2,174,049 shares of common stock outstanding atJuly 24, 2016. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within sixty days of July 24, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Name And Address Of Beneficial Owner	Number of Shares Owned	Percentage of Class
Sebastian Giordano	861,494(1)	24.4%
David Allen	420,000(1)	13.4%
Charles Benton	234,935(1)	8.0%
Norm Dumbroff	232,598(1)	7.9%
Edward Gildea	234,675(1)	8.0%
Robert Roller	184,935(1)	6.4%
All Officers and Directors as a Group	2,168,637(1)	44.5%
Iroquois Capital Management LLC (2)	284,962(3)	9.99%

(1) 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 10, 2016, or which will or may become exercisable within 60 days of that date: Sebastian Giordano, 861,494 shares; Charles Benton, 234,935 shares; Norm Dumbroff, 232,598 shares; Edward Gildea, 234,675 shares; David Allen, 420,000; Robert Roller, 184,935 shares; and all officers and directors as a group, 2,168,637 shares. The address for each of our officers and directors is 521 Railroad Avenue, Suisun City, California 94585.

(2) The principal business address of the beneficial owner is 205 East 42nd Street, 20th Floor, New York, New York 10017. Iroquois Master Fund ("IMF") is a private investment fund. Iroquois Capital Management LLC ("Iroquois Capital") is an investment adviser that provides investment advisory services to IMF. Iroquois Capital Investment Group LLC ("ICIG") is a private investment fund. American Capital Management, LLC ("American Capital") is an investment vehicle for investment purposes. Joshua Silverman is the managing member of each of Iroquois Capital and ICIG. Richard Abbe is the managing member of each of Iroquois Capital and ICIG. Kimberly Page is the manager of American Capital and the Chief Operating Officer, Compliance Officer of Iroquois Capital.

(3) Based on a Schedule 13D filed July 19, 2016. Each of IMF, Iroquois Capital, ICIG, Joshua Silverman, Richard Abbe, and Kimberly Page, are considered to be members of a "group" with all of the other persons and entities just listed, for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (each, a "member," and, collectively, the "Iroquois Group"). The Iroquois Group beneficially owns an aggregate of 284,962 shares, excluding certain securities held by the Iroquois Group subject to a beneficial ownership limitation which prevents conversion in excess of 9.99% of the total outstanding shares of common stock, discussed further below.

IMF beneficially owns 276,288 shares, consisting of (i) 109,431 shares directly and beneficially, and (ii) 166,857 shares underlying Series H and H-1 Preferred Stock. By virtue of its relationship as the investment manager to IMF, Iroquois Capital beneficially owns 276,288 shares. ICIG directly and beneficially owns 0 shares. American Capital beneficially owns 8,674 shares underlying Series H and H-1 Preferred Stock. By virtue of their relationships as managing members of IMF and ICIG, Joshua Silverman and Richard Abbe each beneficially owns 276,288 shares. By virtue of her relationship as manager of American Capital, Kimberly Page beneficially owns 8,674 shares.

Because each of IMF, Iroquois Capital, ICIG, Joshua Silverman, Richard Abbe, and Kimberly Page are members of the Iroquois Group, each may be deemed to be the beneficial owner of the shares directly owned by the other members. Each member of the Iroquois Group disclaims beneficial ownership of such shares except to the extent of his, her, or its pecuniary interest therein.

The Iroquois Group's aggregate ownership figure of 284,962 shares excludes a total of 2,125,904 shares underlying certain Series H and H-1 Preferred Stock and issuable upon the exercise of certain warrants, because of a beneficial ownership limitation in the form of a conversion cap which precludes the Iroquois Group, collectively, from converting such Preferred Stock or exercising such warrants to the extent that the Iroquois Group would, after conversion or exercise, beneficially own in excess of 9.99% of the total outstanding shares of common stock.

The shares excluded include: (i) owned by IMF: 239,500 shares underlying Series H Preferred Stock, 536,843 shares underlying Series H-1 Preferred Stock, and 1,055,481 shares issuable upon the exercise of warrants; (ii) owned by ICIG: 54,100 shares underlying Series H-1 Preferred Stock and 81,190 shares issuable upon the exercise of warrants; (iii) owned by American Capital: 23,500 shares underlying Series H Preferred Stock, 54,100 shares underlying Series H-1 Preferred Stock, and 81,190 shares issuable upon the exercise of warrants.

Securities Authorized for Issuance Under Equity Compensation Plans

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, 2006 and 2007 Incentive Stock Plans approved by the Board of Directors and shareholders and the 2014 Equity Incentive Plan approved by the Board of Directors and shareholders.

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)
Equity compensation plan approved by board of directors (1)	233	$ 15.92	**0**
Equity compensation plan approved by security holders (2)	0	$ 0	2,597
Equity compensation plan approved by security holders (3)	910	$ 11.88	1,687
Equity compensation plan approved by security holders (4)	3,289,130	$ 1.40	369,961
Total	3,290,273	$ 1.40	374,245

(1) We established a nonqualified stock option plan pursuant to which options to acquire a maximum of 2,706 shares of our common stock were reserved for grant (the "2002 Plan"). As of April 30, 2016, included above in the 2002 Plan are 233 shares issuable upon exercise of options granted to employees and directors. The 2002 Plan has reached its 10-year term, and therefore, no additional options may be granted thereunder.

(2) We established the 2006 Incentive Stock Plan, under which 2,597 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2016, there were no shares issuable upon exercise of options granted to employees and directors.

(3) We established the 2007 Incentive Stock Plan, under which 2,597 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2016, 910 shares were issuable upon exercise of options granted to employees and directors.

(4) In September 2015, the Company amended and restated the 2014 Equity Incentive Plan, under which 3,659,091 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2016, options to purchase 3,289,130 shares were granted to employees and directors.

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

Related Party Transactions

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

The China Operations earned revenue from TGG and subsidiaries of $212,000 and $1,661,000 for the years ended April 30, 2016 and 2015, respectively.

The China Operations accounts receivable due from TGG and subsidiaries is $0 and $0 as of the years ended April 30, 2016 and 2015, respectively.

As of April 30, 2016 and 2015, the China Operations had outstanding payables due to TGG, totaling $0 and $786,000, respectively, due on demand, representing interest accrued on former working capital loans from TGG to the China Operations.

Director Independence

Mr. Benton, Mr. Dumbroff, and Mr. Gildea are independent directors of the Company, and as such, they satisfy the definition of independence in accordance with SEC rules and NASDAQ listing standards.

ITEM 14 - PRINCIPAL ACCOUNTING 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, 2016 and 2015, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were $194,000 and $457,000, respectively.

Audit Related Fees

We incurred no fees to our independent auditors for non-audit related fees during the fiscal years ended April 30, 2016 and 2015.

Tax Fees

We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended April 30, 2016 and 2015.

All Other Fees

We did not incur fees for products and services provided by the principal accountants other than those set forth above.

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, FINANCIAL STATEMENT SCHEDULES

Exhibits:

2.01	Interest Purchase Agreement, dated June 3, 2015, by and between WPCS International Incorporated and Halcyon Coast Investment (Canada) Ltd., incorporated by reference to Exhibit 2.1 of WPCS International Incorporated's Current Report on Form 8-K filed June 8, 2015.
2.02	Joint Venture Interest Transfer Agreement, dated June 3, 2015, by and between WPCS International Incorporated and Halcyon Coast Investment (Canada) Ltd., incorporated by reference to Exhibit 2.2 of WPCS International Incorporated's Current Report on Form 8-K filed June 8, 2015.
3.01	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.
3.02	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on December 9, 2008, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated's Annual Report on Form 10-K filed July 29, 2015.
3.03	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on March 4, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K filed March 4, 2013.
3.04	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on May 16, 2013 and effective May 28, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K filed May 28, 2013.
3.05	Certificate of Correction to the Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on December 19, 2014, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's Current Report on Form 8-K filed December 19, 2014.
3.06	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on April 16, 2015 and effective April 20, 2015, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K filed April 16, 2015.
3.07	Certificate of Designations, Preferences and Rights of the Series F Convertible Preferred Stock, as filed with the Delaware Secretary of State on September 30, 2014, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K filed October 3, 2014.
3.08	Certificate of Designations, Preferences and Rights of the Series F-1 Convertible Preferred Stock, as filed with the Delaware Secretary of State on November 20, 2014, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K filed November 20, 2014.
3.09	Certificate of Designations, Preferences and Rights of the Series G Convertible Preferred Stock, as filed with the Delaware Secretary of State on September 30, 2014, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated's Current Report on Form 8-K filed October 3, 2014.
3.10	Certificate of Designations, Preferences and Rights of the Series G-1 Convertible Preferred Stock, as filed with the Delaware Secretary of State on November 20, 2014, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated's Current Report on Form 8-K filed November 20, 2014.
3.11	Certificate of Designations, Preferences and Rights of the Series H Convertible Preferred Stock, as filed with the Delaware Secretary of State on June 30, 2015, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's Current Report on Form 8-K filed July 1, 2015.

3.12	Certificate of Designations, Preferences and Rights of the Series H-1 Convertible Preferred Stock, as filed with the Delaware Secretary of State on July 14, 2015, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's Current Report on Form 8-K filed July 15, 2015.
3.13	Amended and Restated Bylaws of WPCS International Incorporated as of January 12, 2016, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's Current Report on Form 8-K filed January 13, 2016.
10.01	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.
10.02	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.
10.03	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.
10.04	2014 Equity Incentive Plan, incorporated by reference to Annex D of WPCS International Incorporated's definitive proxy statement on Schedule 14A filed April 28, 2014.
10.05	WPCS International Incorporated Amended and Restated 2014 Equity Incentive Plan, incorporated by reference to Appendix A of WPCS International Incorporated's definitive proxy statement on Schedule 14A filed August 14, 2015.
10.06	Form of Letter Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
10.07	Form of Indemnification Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.

10.8	Amendment No.1 to Asset Purchase Agreement by and among WPCS-International Incorporated, WPCS International - Seattle, Inc. and EC Company dated May 30, 2014., incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed June 3, 2014.
10.9	Amendment to Separation Agreement, dated July 28, 2014 by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed July 29, 2014.
10.10	Letter of Agreement, dated August 29, 2014 by and between WPCS International Incorporated and Chord Advisors, LLC, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed September 2, 2014.
10.11	Amendment, Waiver and Exchange Agreement, by and between WPCS International Incorporated and Hudson Bay Master Fund Ltd., dated September 30, 2014, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed October 3, 2014
10.12	Promissory Note issued on September 30, 2014, by WPCS International Incorporated to Hudson Bay Master Fund Ltd, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed October 3, 2014

10.13	Escrow Agreement by and among WPCS International Incorporated, WPCS International-Seattle, Inc., Sichenzia Ross Friedman Ference LLP and EC Company dated September 30, 2014, incorporated by reference to Exhibit 10.04 of WPCS International Incorporated's Current Report on Form 8-K filed October 3, 2014
10.14	Form of Amendment, Waiver and Exchange Agreement, dated November 20, 2014, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed November 20, 2014.
10.15	Form of Promissory Note, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed November 20, 2014.
10.16	Securities Purchase Agreement, dated November 26, 2014, by and among WPCS International Incorporated, BTX Trader LLC, Divya Thakur and Ilya Subkhankulov, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed December 2, 2014.
10.17	Letter Agreement, by and between WPCS International Incorporated and Sebastian Giordano, dated as of February 3, 2015, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed February 4, 2015.
10.18	Form of Amendment, Waiver and Exchange Agreement, dated June 30, 2015, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed July 1, 2015.
10.19	Securities Purchase Agreement, dated July 14, 2015, by and between WPCS International Incorporated and Iroquois Master Fund Ltd., Iroquois Capital Investment Group LLC and American Capital Management, LLC incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed July 15, 2015.
10.20	Form of Warrant, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's Current Report on Form 8-K filed July 15, 2015.
10.21	Registration Rights Agreement, dated July 14, 2015, by and among WPCS International Incorporated, Iroquois Master Fund Ltd., Iroquois Capital Investment Group, and American Capital Management LLC, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's Current Report on Form 8-K filed July 15, 2015.
10.22	Change in Control Agreement, dated as of September 29, 2015, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed October 5, 2015.
10.23	Change in Control Agreement, dated as of September 29, 2015, by and between WPCS International Incorporated and David Allen, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's Current Report on Form 8-K filed October 5, 2015.
10.24	Change in Control Agreement, dated as of October 21, 2015, by and between WPCS International - Suisun City, Inc. and Robert Roller, incorporated by reference to WPCS International Incorporated's Current Report on Form 8-K filed October 23, 2015.
14.01	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.
21.01 *	Subsidiaries of the registrant
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document

101 CAL	XBRL Taxonomy Calculation Linkbase Document
101 LAB	XBRL Taxonomy Labels Linkbase Document
101 PRE	XBRL Taxonomy Presentation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

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 28, 2016

By: /s/ Sebastian Giordano
Sebastian Giordano
Chief Executive Officer (Principal Executive Officer)

Date: July 28, 2016

By: /s/ David Allen
David Allen
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/ CHARLES BENTON Charles Benton	Director	July 28, 2016
/s/ NORM DUMBROFF Norm Dumbroff	Director	July 28, 2016
/s/ EDWARD GILDEA Edward Gildea	Director	July 28, 2016
/s/ SEBASTIAN GIORDANO Sebastian Giordano	Director	July 28, 2016

Exhibit 21.01

SUBSIDIARIES OF THE COMPANY

Subsidiary Name	State or Country of Incorporation
WPCS International - Suisun City, Inc.	California
WPCS International - Trenton, Inc.	New Jersey
WPCS International - Texas, Inc.	Texas

Exhibit 31.1

CERTIFICATION

I, Sebastian Giordano, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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 28, 2016

/s/ SEBASTIAN GIORDANO
Sebastian Giordano
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David Allen, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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 28, 2016

/s/ David Allen
David Allen
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sebastian Giordano, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ Sebastian Giordano
Date: July 28, 2016	Name:	Sebastian Giordano
	Title:	Chief Executive Officer

I, David Allen, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ David Allen
Date: July 28, 2016	Name:	David Allen
	Title:	Chief Financial Officer