

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, 2008

Commission File Number 000-262771

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

98-0204758

(IRS Employer Identification No.)

**One East Uwchlan Avenue, Suite 301
Exton, Pennsylvania**

(Address of principal executive office)

19341

(Postal Code)

(610) 903-0400

(Issuer's telephone number)

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

Title of each class
Common Stock, \$0.0001 par value

Name of each exchange on which registered
The NASDAQ Stock Market LLC
(NASDAQ Global 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 checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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

Smaller reporting company

(Do not check if a 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, 2007, based on the closing sales price of the Common Stock as quoted on the Nasdaq Global Market was \$59,522,365.76. 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 17, 2008, there were 7,251,083 shares of registrant's common stock outstanding

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PART I

ITEM 1. - DESCRIPTION OF BUSINESS

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, WPCS Incorporated, Invisinet Inc. (Invisinet), Walker Comm Inc. (Walker Comm), Clayborn Contracting Group, Inc. (Clayborn), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), Taian AGS Pipeline Construction Co. Ltd (TAGS) from April 5, 2007 (date of acquisition), Major Electric, Inc. (Major) from August 1, 2007 (date of acquisition), Max Engineering LLC (Max) from August 2, 2007 (date of acquisition), Gomes and Gomes, Inc. dba Empire Electric (Empire) from November 1, 2007 (date of acquisition), WPCS Australia Pty Ltd from November 12, 2007 (date of formation), James Design Pty Ltd (James) from November 30, 2007 (date of acquisition), WPCS Asia Limited from January 24, 2008 (date of formation) and RL & CA MacKay Pty Ltd. dba Energize Electrical (Energize) from April 4, 2008 (date of acquisition), collectively "we", "us" or the "Company".

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

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

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

Overview

The increasing demand for wireless services has become the driving force behind the recent growth in the global communications industry. Wireless technology has advanced substantially to the point where wireless networks have proven to be an effective alternative to land line networks, a key factor in its broad acceptance. The advantages of wireless over land line communication are apparent in the aspects of mobility, cost, and deployment. The use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. We provide design-build engineering services that focus on the implementation requirements of wireless technology. We serve the specialty communication systems and wireless infrastructure sectors. Our range of services includes site design, technology integration, electrical contracting, construction and project management for corporations, government entities and educational institutions worldwide. Because we are technology independent, we can integrate multiple products and services across a variety of communication requirements. This ability gives our customers the flexibility to obtain the most appropriate solution for their communication needs on a cost effective basis.

With fifteen offices across the United States, one office in China and two offices in Australia, we provide our services to our customers on a global basis. Our rapid revenue growth since we commenced operations in November 2001 is attributable to a combination of acquisitions and organic growth. For the fiscal year ended April 30, 2008, we generated revenues of approximately \$101 million, an increase of 44.9% from the fiscal year ended April 30, 2007. Our backlog at April 30, 2008 was approximately \$59.8 million.

Advantages of Wireless Technology

Various improvements in wireless technologies have resulted in an environment where wireless solutions provide a number of key advantages over traditional land line solutions, including:

- *Mobility.* Mobile communications and computing are among the driving forces behind the demand for wireless connectivity. The increased functionality and declining cost of mobile wireless devices has fueled further growth. Mobile connectivity has led to greater productivity as organizations transmit data and gather information from remote staff and locations where land line connectivity is unavailable. Such mobile connectivity has created significant cost savings in data collection, increased responsiveness, enabled greater access to enterprise resources and improved controls.
- *Cost.* Wireless networks cost less than comparable land line networks both to deploy and to operate. Wireless deployment is less expensive because the installation of a land line network is more labor-intensive, requires more time and may involve substantial right-of-way expenditures. We expect the main cost component of wireless networks and equipment to continue to decline as technology advances and production volumes increase. Operating costs of wireless networks are also lower because land lines require extensive troubleshooting to execute repairs. In addition, wireless networks bypass local service providers, eliminating recurring monthly charges.
- *Deployment.* Because enterprise wireless networks do not require negotiating rights of way, substantial infrastructure engineering, time-consuming third party coordination efforts or additional FCC licensing, they can be deployed quickly and less expensively. Rapid deployment allows organizations to install networks more closely in line with immediate needs rather than having to commit to time-consuming engineering projects in anticipation of future growth.

Industry Trends

The demand for wireless networks can be tied to the following key trends:

- Increased security of wireless data transmission;
- Introduction of new technologies;
- Increasing accessibility and affordability of wireless mobile devices; and
- Increased capacity of wireless networks, making them a legitimate substitute for land line communications.

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

Business Strategy

Our goal is to become a recognized leader in the design and deployment of wireless networks for specialty communication systems and wireless infrastructure. We have designed and deployed many systems incorporating innovative uses of wireless technology in various vertical markets. Our strategy focuses on both organic growth and the pursuit of acquisitions that add to our engineering capacity and geographic coverage. Specifically, we will endeavor to:

- *Provide additional services for our customers.* Each acquisition we make expands our customer base. We seek to expand these new customer relationships by making them aware of the diverse products and services we offer. We believe that providing these customers the full range of our services will lead to new projects or revenue opportunities and increased profitability.
- *Maintain and expand our focus in vertical markets.* We have deployed successful, innovative wireless solutions for multiple customers in a number of vertical markets, such as public safety, healthcare, gaming and energy. We will continue to seek additional customers in these targeted vertical markets who can benefit from our expertise and look for new ways in which we can deploy wireless networks to enhance productivity within these markets. We also look to expand our vertical market coverage and include these new markets as appropriate.

- *Strengthen our relationships with technology providers.* We will continue to strengthen the relationships we have with technology providers. These companies rely on us to deploy their technology products within their customer base. We have worked with these providers in testing new equipment they develop and our personnel maintain certifications on our technology providers' products. We also look for innovative products that can be of benefit to our customers, and endeavor to establish similar relationships with new technology providers as part of our commitment to offering the most advanced solutions.
- *Seek strategic acquisitions.* We will continue to look for additional acquisitions of compatible businesses that can be assimilated into our organization, expand our geographic coverage and add accretive earnings to our business. Our preferred acquisition candidates will have experience with specialty communication systems. We are also focused on expanding in the international sector with an emphasis in China, Australia and surrounding Pacific Rim countries.

Services

We operate in two segments, specialty communication systems and wireless infrastructure services. Specialty communication systems are wireless networks designed to improve productivity for a specified application by communicating data, voice or video information in situations where land line networks are non-existent, more difficult to deploy or too expensive. Wireless infrastructure services include the engineering, installation, integration and maintenance of wireless carrier equipment. For the fiscal year ended April 30, 2008, specialty communication systems represented approximately 88% of our total revenue, and wireless infrastructure services represented approximately 12% of our total revenue. For the fiscal year ended April 30, 2007, specialty communication systems represented approximately 81% of our total revenue, and wireless infrastructure services represented approximately 19% of our total revenue.

Specialty Communication Systems

The types of specialty communication systems that we implement are used for mobile computing and general wireless connectivity purposes. We design and deploy networks that allow entities to reduce their dependence on high cost and inflexible leased land lines. We have the engineering expertise to utilize any facet of wireless technology or a combination of various wireless technologies to engineer a cost effective network for a customer's wireless communication requirement. In addition, the design and deployment of a specialty communication system is a comprehensive effort that requires an in-depth knowledge of radio frequency engineering so that the wireless network is free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. In specialty communications, we focus on four primary vertical markets to provide our services. These vertical sectors include public safety, healthcare, gaming and energy.

- *Public safety.* We provide communication systems for public services (which includes police, fire and emergency systems), asset tracking, transportation and security, where the conversion of older analog systems to advanced digital systems is the driving force.
- *Healthcare.* We provide communication systems for data management, asset tracking and security for use in new hospital construction and renovation projects.
- *Gaming.* We provide communication systems for asset tracking and security for use in new casino construction and renovation of existing properties.
- *Energy.* We provide communication systems for utility, oil, gas, and alternative energy companies such as solar and wind energy companies.

We are technology and vendor independent. As wireless networks evolve, customers are increasingly showing a tendency to select independent service providers, allowing our independence to become an important differentiator. We believe that the strength of our experience in the design and deployment of these specialty communication systems gives us a competitive advantage and has supported our rapid growth, both organically and through acquisitions.

Wireless Infrastructure Services

We provide wireless infrastructure services to major wireless carriers, which are services that include the engineering, installation, integration and maintenance of wireless carrier equipment. Wireless carriers are focused on building and expanding their networks, increasing capacity, upgrading their networks with new technologies and maintaining their existing infrastructure. Our engineers install, test and commission base station equipment at the carrier cell site, including installations of new equipment, technology upgrades, equipment modifications and reconfigurations. These services may also include tower construction.

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 generally staffed with a project manager who manages multiple projects and a field supervisor who is responsible for an individual project. Depending on contract scope, project staff size could range from two to four engineers to as high as 25 to 30 engineers. A project may also include subcontracted services along with our direct labor.

The project manager coordinates the daily activities of direct labor and subcontractors and works closely with our field supervisors. Project managers are responsible for job costing, change order tracking, billing, and customer relations. Executive management monitors the performance of all projects regularly through work-in-progress reporting or percentage-of-completion, and reviews this information with each project manager.

Our projects are 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 often be a delay of several months before work begins. The active work time on our projects can range in duration from a few days up to as long as two years. Once services under the contract commence, our average project length is approximately two months.

Customers

We serve a variety of corporate, government and education customers in various market segments. In our specialty communication systems segment, we believe our design and deployment of innovative wireless networks specific to the needs of customers in certain vertical markets has brought us recognition. In our wireless infrastructure segment, our customers are major wireless carriers.

For the fiscal year ended April 30, 2008, there were no customers who accounted for more than 10% of our revenue. For the fiscal year ended April 30, 2007, we had revenue from two customers, Genentech and Sprint Nextel, of approximately \$12.7 million and \$8.2 million or 18.1% and 11.7%, respectively.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our vertical market focus and our relationships with technology providers. In addition, our project managers devote a portion of their time to sales and marketing. When an opportunity is identified, we assess the opportunity to determine our level of interest in participation. After qualifying an opportunity, our sales and marketing resources work with the internal project management teams to prepare a cost estimate and contract proposal for a particular project. We keep track of bids submitted and bids that are awarded. Once a bid is awarded to us, it is assigned to a project management team and included in our backlog.

Backlog

As of April 30, 2008, we had a backlog of unfilled orders of approximately \$59.8 million compared to approximately \$34.9 million at April 30, 2007. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is a written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments that may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Competition

We face competition from numerous service organizations, ranging from small independent regional firms to larger firms servicing national markets. We also face competition from existing or prospective customers that employ in-house personnel to perform some of the same types of services that we provide. Historically, there have been relatively few significant barriers to entry into the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. At the present time, we believe that there are no dominant competitors in the specialty communication systems or wireless infrastructure segment but we would classify Quanta Services, Inc. (NYSE:PWR) and Dycom Industries, Inc. (NYSE:DY) as specialty communication systems competitors and LCC International Incorporated (NASDAQ-LCCI) as a wireless infrastructure services competitor.

The principal competitive advantage in these markets is the ability to deliver results on time and within budget. Other factors of importance include reputation, accountability, staffing capability, project management expertise, industry experience and competitive pricing. In addition, expertise in new and evolving technologies has become increasingly important. We believe that the ability to design, deploy and maintain all facets of wireless technology for various vertical sectors gives us a competitive advantage. We maintain a trained and certified staff of engineers that have developed proven methodologies for the design and deployment of wireless networks, and can provide these services on an international basis. In addition, we offer both a union and non-union workforce that allow us to bid on either labor requirement, creating yet another competitive advantage.

However, our ability to compete effectively also depends on a number of additional factors that are beyond our control. These factors include competitive pricing for similar services, the ability and willingness of the competition to finance projects on favorable terms, the ability of customers to perform the services internally and the responsiveness of our competitors to customer needs.

Employees

As of April 30, 2008, we employed 540 full time employees, of whom 380 are project engineers, 40 are project managers, 113 are in administration and sales and 7 are executives. A majority of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe our relations with all of our employees are good. We have 241 union employees whom are covered by contracts that expire at various times as follows:

<u>Subsidiary</u>	<u># of Employees</u>	<u>Contract Termination Date</u>
Empire	61	December 31, 2008
Walker	8	December 31, 2008
Heinz	1	November 30, 2009
Walker	62	January 1, 2010
Voacolo	22	May 1, 2010
Major	80	May 31, 2010
Heinz	6	October 31, 2010
Heinz	1	May 2, 2012
Total Union Employees	<u>241</u>	

ITEM 1A - RISK FACTORS

Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows down, our revenues may decrease and our ability to continue operating profitably may be harmed.

Customers are constantly re-evaluating their network deployment plans in response to trends in the capital markets, changing perceptions regarding industry growth, the adoption of new wireless technologies, increasing pricing competition and general economic conditions in the United States and internationally. If the rate of network deployment growth slows and customers reduce their capital investments in wireless technology or fail to expand their networks, our revenues and profits could be reduced.

If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results may vary from our assumptions, which may reduce our profitability or impair our financial performance.

A substantial portion of our revenue is derived from fixed price contracts. Under these contracts, we set the price of our services on an aggregate basis and assume the risk that the costs associated with our performance may be greater than we anticipated. We recognize revenue and profit on these contracts as the work on these projects progresses on a percentage-of-completion basis. Under the percentage-of-completion method, contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

The percentage-of-completion method therefore relies on estimates of total expected contract costs. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Contract revenue and total cost estimates are reviewed and revised monthly as the work progresses, such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Adjustments are reflected in contract revenue for the fiscal period affected by these revised estimates. If estimates of costs to complete long-term contracts indicate a loss, we immediately recognize the full amount of the estimated loss. Such adjustments and accrued losses could result in reduced profitability and liquidity.

Failure to properly manage projects may result in unanticipated costs or claims.

Our wireless network engagements may involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. Any defects or errors or failure to meet customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we would incur, which could exceed revenues realized from a project.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain.

Other than the technical skills required in our business, the barriers to entry in our business are relatively low. We do not have any intellectual property rights to protect our business methods and business start-up costs do not pose a significant barrier to entry. The success of our business is dependent on our employees, customer relations and the successful performance of our services. If we face increased competition as a result of new entrants in our markets, we could experience reduced operating margins and loss of market share and brand recognition.

Our business depends upon our ability to keep pace with the latest technological changes, and our failure to do so could make us less competitive in our industry.

The market for our services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments may result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenues from deploying wireless networks that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing preferences.

Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business.

Our success depends upon our attracting and retaining skilled engineering personnel. Competition for such skilled personnel in our industry is high and at times can be extremely intense, especially for engineers and project managers, and we cannot be certain that we will be able to hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. Additionally, we cannot be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service a major contract, particularly if the market for related personnel is competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which could reduce our operating margins, reduce our earnings and possibly harm our results of operations. If we are unable to obtain major contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and we may experience a drop in net income.

If we are unable to identify and complete future acquisitions, we may be unable to continue our growth.

Since November 1, 2001, we have acquired fourteen companies and we intend to further expand our operations through targeted strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities. Even if we identify favorable acquisition targets, there is no guarantee that we can acquire them on reasonable terms or at all. If we are unable to complete attractive acquisitions, the growth that we have experienced over the last five fiscal years may decline.

Future acquired companies could be difficult to assimilate, disrupt our business, diminish stockholder value and adversely affect our operating results.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. Our failure to manage future acquisitions successfully could seriously harm our operating results. Also, acquisitions could cause our quarterly operating results to vary significantly. Furthermore, our stockholders would be diluted if we financed the acquisitions by issuing equity securities. In addition, acquisitions expose us to risks such as undisclosed liabilities, increased indebtedness associated with an acquisition and the potential for cash flow shortages that may occur if anticipated financial performance is not realized or is delayed from such acquired companies.

We derive a significant portion of our revenues from a limited number of customers, the loss of which would significantly reduce our revenues.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. To the extent that any significant customer uses less of our services or terminates its relationship with us, our revenues could decline significantly. As a result, the loss of any significant customer could seriously harm our business. For the year ended April 30, 2008, we had no customers who accounted for more than 10% of our revenue. Although for the fiscal year ended April 30, 2007, we had two separate customers which accounted for 18.1% and 11.7% of our revenues. Other than under existing contractual obligations, none of our customers is obligated to purchase additional services from us. As a result, the volume of work that we perform for a specific customer is likely to vary from period to period, and a significant customer in one period may not use our services in a subsequent period.

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

As of April 30, 2008, we had a backlog of unfilled orders of approximately \$59.8 million. This backlog amount is based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. In addition, contracts included in our backlog may not be profitable. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience delays or cancellations in the future. If our backlog fails to materialize, we could experience a reduction in revenue, profitability and liquidity.

Our business could be affected by adverse weather conditions, resulting in variable quarterly results.

Adverse weather conditions, particularly during the winter season, could affect our ability to perform outdoor services in certain regions of the United States. As a result, we might experience reduced revenue in the third and fourth quarters of our fiscal year. Natural catastrophes such as the recent hurricanes in the United States could also have a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which in turn could significantly impact the results of any one or more of our reporting periods.

If we are unable to retain the services of Messrs. Hidalgo, Schubiger, Heinz, Walker, Madenford or James, operations could be disrupted.

Our success depends to a significant extent upon the continued services of Mr. Andrew Hidalgo, our Chief Executive Officer and Messrs. Richard Schubiger, James Heinz, Donald Walker, Charles Madenford and Steven James, our Executive Vice Presidents. Mr. Hidalgo has overseen our company since inception and provides leadership for our growth and operations strategy. Messrs. Schubiger, Heinz, Walker, Madenford and James oversee the day-to-day operations of our operating subsidiaries. Loss of the services of Messrs. Hidalgo, Schubiger, Heinz, Walker, Madenford or James could disrupt our operations and harm our growth, revenues, and prospective business. We do not maintain key-man insurance on the lives of Messrs. Hidalgo, Schubiger, Heinz, Walker, Madenford or James.

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

Our business is labor intensive, with certain projects requiring large numbers of engineers. Over 44% of our workforce is unionized. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct our business. If we are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Any of these events could be disruptive to our operations and could result in negative publicity, loss of contracts and a decrease in revenues.

We may incur goodwill impairment charges in our reporting entities which could harm our profitability.

In accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets," we periodically review the carrying values of our goodwill to determine whether such carrying values exceed the fair market value. Except for TAGS, each of our acquired companies, of which each is a reporting unit, is subject to an annual review for goodwill impairment. If impairment testing indicates that the carrying value of a reporting unit exceeds its fair value, the goodwill of the reporting unit is deemed impaired. Accordingly, an impairment charge would be recognized for that reporting unit in the period identified, which could reduce our profitability.

Our quarterly results fluctuate and may cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and will likely fluctuate in the future. As a result, we believe that period to period comparisons of our results of operations are not a good indication of our future performance. A number of factors, many of which are beyond our control, are likely to cause these fluctuations. Some of these factors include:

- the timing and size of network deployments and technology upgrades by our customers;
- fluctuations in demand for outsourced network services;
- the ability of certain customers to sustain capital resources to pay their trade accounts receivable balances and required changes to our allowance for doubtful accounts based on periodic assessments of the collectibility of our accounts receivable balances;
- reductions in the prices of services offered by our competitors;
- our success in bidding on and winning new business; and
- our sales, marketing and administrative cost structure.

Because our operating results may vary significantly from quarter to quarter, our operating results may not meet the expectations of securities analysts and investors, and our common stock could decline significantly which may expose us to risks of securities litigation, impair our ability to attract and retain qualified individuals using equity incentives and make it more difficult to complete acquisitions using equity as consideration.

Our stock price may be volatile, which may result in lawsuits against us and our officers and directors.

The stock market in general, and the stock prices of technology and telecommunications companies in particular, have experienced volatility that has often been unrelated to or disproportionate to the operating performance of those companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Between April 30, 2007 and April 30, 2008, our common stock has traded as low as \$5.15 and as high as \$14.25 per share, based upon information provided by the NASDAQ Global Market. Factors which could have a significant impact on the market price of our common stock include, but are not limited to, the following:

- quarterly variations in operating results;
- announcements of new services by us or our competitors;
- the gain or loss of significant customers;
- changes in analysts' earnings estimates;
- rumors or dissemination of false information;
- pricing pressures;
- short selling of our common stock;
- impact of litigation;
- general conditions in the market;
- changing the exchange or quotation system on which we list our common stock for trading;
- political and/or military events associated with current worldwide conflicts; and
- events affecting other companies that investors deem comparable to us.

Companies that have experienced volatility in the market price of their stock have frequently been the object of securities class action litigation. Class action and derivative lawsuits could result in substantial costs to us and a diversion of our management's attention and resources, which could materially harm our financial condition and results of operations.

Future changes in financial accounting standards may adversely affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, newly enacted SEC regulations and NASDAQ Stock Market rules, have created additional burdens for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards. This investment will result in increased general and administrative costs and a diversion of management time and attention from revenue-generating activities to compliance activities.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our certificate of incorporation permits us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

There may be an adverse effect on the market price of our shares as a result of shares being available for sale in the future.

As of April 30, 2008, holders of our outstanding options and warrants have the right to acquire 2,529,614 shares of common stock issuable upon the exercise of stock options and warrants, at exercise prices ranging from \$4.80 to \$14.40 per share, with a weighted average exercise price of \$7.00. The sale or availability for sale in the market of the shares underlying these options and warrants could depress our stock price. We have registered substantially all of the underlying shares described above for resale. Holders of registered underlying shares may resell the shares immediately upon issuance upon exercise of an option or warrant.

If our stockholders sell substantial amounts of our shares of common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock may decline. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

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

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

- changes in the region's economic, social and political conditions or government policies;
- changes in trade laws, tariffs and other trade restrictions or licenses;
- changes in foreign exchange regulation in China may limit our ability to freely convert currency to make dividends or other payments in U.S. dollars;
- fluctuation in the value of the RMB (Chinese Yuan) could adversely affect the value of our investment in China;
- limitations on the repatriation of earnings or assets, including cash;

- adverse changes in tax laws and regulations;
- difficulties in managing or overseeing our China operations, including the need to implement appropriate systems, policies, benefits and compliance programs; and
- different liability standards and less developed legal systems that may be less predictable than those in the United States.

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

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Our principal executive office is located in approximately 2,550 square feet of office space in Exton, Pennsylvania. We operate our business under office leases in the following locations:

Location	Subsidiary	Lease Expiration Date	Minimum Annual Rent
Exton, Pennsylvania	WPCS Corporate headquarters	February 1, 2011	\$ 52,594
Auburn, California (1)	Clayborn	Month-to-month	\$ 68,306
West Sacramento, California	Empire	July 31, 2010	\$ 74,847
St. Louis, Missouri	Heinz	August 31, 2010	\$ 61,405
Exton, Pennsylvania	Heinz	July 31, 2009	\$ 9,072
Brisbane, Australia	James	July 31, 2012	\$ 75,240
Woodinville, Washington	Major	May 31, 2010	\$ 9,470
Houston, Texas	Max	August 31, 2009	\$ 20,432
Windsor, Connecticut	NECS	April 30, 2014	\$ 85,484
Chicopee, Massachusetts	NECS	August 31, 2008	\$ 4,000
Lakewood, New Jersey	Quality	August 31, 2010	\$ 125,661
Sarasota, Florida	SECS	July 31, 2011	\$ 52,897
Trenton, New Jersey (2)	Voacolo	April 1, 2009	\$ 60,000
Fairfield, California (3)	Walker Comm	February 28, 2011	\$ 94,128
Rocklin, California	Walker Comm	January 31, 2010	\$ 29,940
San Leandro, California	Walker Comm	July 31, 2011	\$ 13,824

(1) The lease for our Auburn, California location is month to month; therefore the minimum annual rental price assumes we rent the property for the entire year.

- (2) We lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo Electric, Inc., are the members.
- (3) We lease our Fairfield, California location from a trust, of which Gary Walker, one of our Directors, is the trustee.

We believe that our existing facilities are suitable and adequate to meet our current business requirements.

ITEM 3 - LEGAL PROCEEDINGS

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

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

None.

PART II

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

PRICE RANGE OF COMMON STOCK

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

For the period from May 1, 2006 to date, the following table sets forth the high and low sale prices of our common stock as reported by the NASDAQ Capital Market and NASDAQ Global Market.

Period	High	Low
Fiscal Year Ended April 30, 2008:		
First Quarter	\$ 14.25	\$ 11.14
Second Quarter	12.37	9.51
Third Quarter	11.67	8.05
Fourth Quarter	8.96	5.15
Fiscal Year Ending April 30, 2007:		
First Quarter	\$ 9.80	\$ 6.53
Second Quarter	10.75	6.60
Third Quarter	10.58	8.64
Fourth Quarter	13.74	9.30

On July 25, 2008, the closing sale price of our common stock, as reported by the NASDAQ Global Market, was \$5.56 per share. On July 17, 2008, there were 72 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

ITEM 6 – SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

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 increasing demand for wireless services has become the driving force behind the recent growth in the global communications industry. Wireless technology has advanced substantially to the point where wireless networks have proven to be an effective alternative to land line networks, a key factor in its broad acceptance. The advantages of wireless over land line communication are apparent in the aspects of mobility, cost, and deployment. The use of dedicated wireless networks for specified applications has improved productivity for individuals and organizations alike. We provide design-build engineering services that focus on the implementation requirements of wireless technology. We serve the specialty communication systems and wireless infrastructure sectors. Our range of services includes site design, technology integration, electrical contracting, construction and project management for corporations, government entities and educational institutions worldwide. Because we are technology independent, we can integrate multiple products and services across a variety of communication requirements. This ability gives our customers the flexibility to obtain the most appropriate solution for their communication needs on a cost effective basis.

Specialty Communication Systems

We provide specialty communication systems which are wireless networks designed to improve productivity for a specified application by communicating data, voice or video information in situations where land line networks are non-existent, more difficult to deploy or too expensive. The types of specialty communication systems that we implement are used for mobile communication and general wireless connectivity purposes. We design and deploy networks that allow entities to reduce their dependence on high cost and inflexible leased land lines. We have the engineering expertise to utilize any facet of wireless technology or a combination of various wireless technologies to engineer a cost effective network for a customer's wireless communication requirement. In addition, the design and deployment of a specialty communication system is a comprehensive effort that requires an in-depth knowledge of radio frequency engineering so that the wireless network is free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. In specialty communications, we focus on four primary vertical markets to provide our services. These vertical sectors include public safety, healthcare, gaming and energy. For the years ended April 30, 2008 and 2007, specialty communication systems represented approximately 88% and 81% of our total revenue, respectively.

Wireless Infrastructure Services

We provide wireless infrastructure services to major wireless carriers, which are services that include the engineering, installation, integration and maintenance of wireless carrier equipment. Wireless carriers continue to be focused on building and expanding their networks, increasing capacity, upgrading their networks with new technologies and maintaining their existing infrastructure. Our engineers install and test base station equipment at the carrier cell site, including installation of new equipment, technology upgrades, equipment modifications and reconfigurations. These services may also include tower construction. For the years ended April 30, 2008 and 2007, wireless infrastructure services represented approximately 12% and 19% of our total revenue, respectively.

Significant Events, 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:

- For the year ended April 30, 2008, the specialty communication systems segment represented approximately 88% of total revenue, and the wireless infrastructure services segment represented approximately 12% of total revenue. This revenue mix remains consistent with our historical performance and focus, in which over 80% of our total revenue has been derived from specialty communication systems.
- As we continue to search for acquisitions, our primary goal is to identify companies which are performing well financially and are compatible with the services that we perform in the specialty communication systems segment. This trend could lead to a further shift in our revenue composition towards the specialty communication systems segment. We believe that the strength of our experience in the design and deployment of specialty communication systems gives us a competitive advantage.
- With regard to our acquisition strategy, we are also focused on expanding in the international sector with an emphasis on China, Australia and surrounding Pacific Rim countries. This trend could lead to a change of revenue composition in which a greater percentage of our revenue could be generated from international sales in the future, compared to the current level of approximately 3%.
- We also seek to achieve organic growth in our existing business by maximizing the value of our existing customer base, maintaining and expanding our focus in vertical markets and developing our relationships with technology providers.
- We believe that the wireless market continues to display strong growth and the demand for our engineering services remains favorable domestically and in China and Australia, particularly in public safety and healthcare. We believe that the advancement of wireless technology will create additional opportunities for us to design and deploy wireless solutions. Also, we continue to identify new vertical sectors for wireless technology.
- We believe that our two most important economic indicators for measuring our future revenue producing capability are our backlog and bid list. At April 30, 2008, our backlog of unfilled orders was approximately \$60 million and our bid list, which represents project bids under proposal for new and existing customers, was approximately \$145 million, which indicates demand for our services remains high.
- In general, we plan for our consolidated cost of revenue to fall in the range of 70 to 72% of revenue. For the year ended April 30, 2008, consolidated cost of revenue was 72% compared to 68% for the same period in the prior year. We have experienced modest gross margin pressure compared to the same period in the prior year due to: (1) the subprime credit issues and the lack of residential housing projects, where in certain markets there are a growing number of general contractors competing for certain projects and bidding down prices. While we are primarily focused on the high-end wireless design and deployment market, we have a modest exposure to competition for lower-end contracting work; and (2) delays or postponements of certain projects with wireless carriers, principally Sprint Nextel, resulting in contractors bidding down prices on remaining work. Management is addressing these issues through continued focus and diversification to specialty communications systems projects.
- We continue to maintain a healthy balance sheet with approximately \$26 million in working capital and credit facility borrowings of approximately \$4.4 million. We expect to use our working capital and availability under the credit facility to fund our continued growth.

Results of Operations for the Fiscal Year Ended April 30, 2008 Compared to Fiscal Year Ended April 30, 2007

The accompanying consolidated financial statements include the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, WPCS Incorporated, Invisinet Inc. (Invisinet), Walker Comm, Inc. (Walker), Clayborn Contracting Group, Inc. (Clayborn), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), Taian AGS Pipeline Construction Co. Ltd (TAGS) from April 5, 2007 (date of acquisition), Major Electric, Inc. (Major) from August 1, 2007 (date of acquisition), Max Engineering LLC (Max) from August 2, 2007 (date of acquisition), Gomes and Gomes, Inc. dba Empire Electric (Empire) from November 1, 2007 (date of acquisition), WPCS Australia Pty Ltd from November 12, 2007 (date of formation), James Design Pty Ltd (James) from November 30, 2007 (date of acquisition), WPCS Asia Limited from January 24, 2008 (date of formation) and RL & CA MacKay Pty Ltd. dba Energize Electrical (Energize) from April 4, 2008 (date of acquisition), collectively the "Company".

Consolidated results for the years ended April 30, 2008 and 2007 were as follows:

	Year Ended April 30,			
	2008		2007	
REVENUE	\$101,431,128	100.0%	\$70,000,070	100.0%
COSTS AND EXPENSES:				
Cost of revenue	73,084,310	72.0%	47,781,351	68.3%
Selling, general and administrative expenses	19,302,773	19.0%	13,244,909	18.9%
Depreciation and amortization	2,398,603	2.4%	1,239,486	1.8%
Total costs and expenses	94,785,686	93.4%	62,265,746	89.0%
OPERATING INCOME	6,645,442	6.6%	7,734,324	11.0%
OTHER EXPENSE (INCOME):				
Interest expense	522,984	0.5%	496,330	0.7%
Interest income	(511,122)	(0.5%)	(525,524)	(0.8%)
Minority interest	(22,115)	0.0%	23,099	0.0%
INCOME BEFORE INCOME TAX PROVISION	6,655,695	6.6%	7,740,419	11.1%
Income tax provision	2,577,348	2.5%	3,146,818	4.5%
NET INCOME	\$4,078,347	4.1%	\$4,593,601	6.6%

Revenue

Revenue for the year ended April 30, 2008 was approximately \$101,431,000, as compared to \$70,000,000 for the year ended April 30, 2007. The increase in revenue for the year was primarily attributable to the acquisitions of NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James, and Energize. Including the pro forma revenue effect of these acquisitions as if they had occurred on May 1, 2006, the pro forma consolidated organic revenue growth rate was approximately 3% in fiscal 2008. For the year ended April 30, 2008, there were no customers which comprised more than 10% of total revenue. For the year ended April 30, 2007, we had two separate customers which comprised 18.1% and 11.7% of total revenue.

Total revenue from the specialty communication segment for the years ended April 30, 2008 and 2007 was approximately \$89,612,000 or 88.3% and \$56,750,000 or 81.1% of total revenue, respectively. The increase in revenue was primarily attributable to the acquisitions of NECS, Voacolo, TAGS, Major, Empire, James and Energize. Including the pro forma revenue effect of these acquisitions as if they had occurred on May 1, 2006, the pro forma organic revenue growth rate for specialty communication was approximately 9% in fiscal 2008.

Wireless infrastructure segment revenue for the years ended April 30, 2008 and 2007 was approximately \$11,819,000 or 11.7% and \$13,250,000 or 18.9% of total revenue, respectively. The decrease in revenue was due primarily to delays or postponement of certain projects with wireless carriers, principally Sprint Nextel, offset by increases in revenue from the acquisitions of SECS and Max. Including the pro forma revenue effect of these acquisitions as if they had occurred on May 1, 2006, the pro forma organic revenue decline in wireless infrastructure was approximately 28% in fiscal 2008.

Cost of Revenue

Cost of revenue consists of direct costs on contracts, materials, direct labor, third party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately \$73,084,000 or 72.0% of revenue for the year ended April 30, 2008, compared to \$47,781,000 or 68.3% for the prior year. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2008 as a result of the acquisition of NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James, and Energize. The increase in cost of revenue as a percentage of revenue is due primarily to the revenue blend attributable to our existing subsidiaries and recent acquisitions.

The specialty communication segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2008 and 2007 was approximately \$64,462,000 and 71.9% and \$38,145,000 and 67.2%, respectively. As discussed above, the dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2008, primarily attributable to the acquisitions completed within the last year. The increase as a percentage of revenue is due primarily to the revenue blend attributable to Walker, Clayborn, Quality, NECS and the recent acquisitions of Voacolo, TAGS, Major, Empire, James and Energize. Secondly, we have experienced modest gross margin pressure in certain markets from more general contractors competing for certain projects and bidding down prices on the lower-end contracting work.

Wireless infrastructure segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2008 and 2007 was approximately \$8,622,000 and 72.9% and \$9,636,000 and 72.7%, respectively. The dollar decrease in our cost of revenue is due to the corresponding decrease in revenue during the year ended April 30, 2008. The slight increase as a percentage of revenue during the year ended April 30, 2008 was due primarily to the completion of a specific project at greater than normal gross margin during the first quarter of fiscal 2008, and secondarily from the revenue blend from Heinz and SECS and the acquisition of Max. These decreases were offset by modest gross margin pressure as the wireless carriers, primarily Sprint Nextel, delay or postpone projects, which results in contractors bidding down prices on remaining work.

Selling, General and Administrative Expenses

For the year ended April 30, 2008, total selling, general and administrative expenses were approximately \$19,303,000, or 19.0% of total revenue compared to \$13,245,000, or 18.9% of revenue for the prior year. The dollar increase in the selling, general and administrative expenses is due primarily to the acquisitions of NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James and Energize. Included in selling, general and administrative expenses for the year ended April 30, 2008 are \$11,210,000 for salaries, commissions, payroll taxes and other employee benefits. The \$3,523,000 increase in salaries and payroll taxes compared to the prior year is due primarily to the increase in headcount as a result of the acquisitions of Voacolo, Major, Max, Empire, James and Energize. Professional fees were \$991,000, which include accounting, legal and investor relation fees. Insurance costs were \$2,163,000 and rent for office facilities was \$786,000. Automobile and other travel expenses were \$1,820,000 and telecommunication expenses were \$513,000. Other selling, general and administrative expenses totaled \$1,820,000. For the year ended April 30, 2008, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were \$14,110,000 and \$2,851,000, respectively, with the balance of \$2,342,000 pertaining to corporate expenses.

For the year ended April 30, 2007, total selling, general and administrative expenses were approximately \$13,245,000, or 18.9% of total revenue. Included in selling, general and administrative expenses for the year ended April 30, 2007 are \$7,687,000 for salaries, commissions, payroll taxes and other employee benefits. Professional fees were \$653,000, which include accounting, legal and investor relation fees. Insurance costs were \$1,872,000 and rent for office facilities was \$559,000. Automobile and other travel expenses were \$959,000 and telecommunication expenses were \$311,000. Other selling, general and administrative expenses totaled \$1,204,000. For the year ended April 30, 2007, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were \$9,247,000 and \$2,400,000, respectively, with the balance of \$1,598,000 pertaining to corporate expenses.

Depreciation and Amortization

For the years ended April 30, 2008 and 2007, depreciation was approximately \$1,539,000 and \$776,000, respectively. The increase in depreciation is due to the purchase of property and equipment and the acquisition of fixed assets from acquiring NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James and Energize. The amortization of customer lists and backlog for the year ended April 30, 2008 was \$859,000 as compared to \$463,000 for the same period of the prior year. The increase in amortization was due to the acquisition of customer lists from NECS, SECS, Voacolo, Major, Max, Empire, James and Energize and backlog from SECS, Voacolo, Major, Empire and James. All customer lists are amortized over a period of five to nine years from the date of their acquisitions. Backlog is amortized over a period of one to three years from the date of acquisition based on the expected completion period of the related contracts.

Interest Expense and Interest Income

For the years ended April 30, 2008 and 2007, interest expense was approximately \$523,000 and \$496,000, respectively. The slight increase in interest expense is due principally from increased borrowings on lines of credit.

For the years ended April 30, 2008 and 2007, interest income was approximately \$511,000 and \$526,000, respectively. The slight decrease in interest earned is due primarily to the decrease in cash and cash equivalents balance during fiscal 2008 and secondarily from lower interest rates.

Net Income

The net income was approximately \$4,078,000 for the year ended April 30, 2008. Net income was net of Federal and state income tax expense of approximately \$2,577,000. The decrease in the effective tax rate is primarily the result of the mix of pre-tax income generated by the various operating subsidiaries.

The net income was approximately \$4,594,000 for the year ended April 30, 2007. Net income was net of Federal and state income tax expense of approximately \$3,147,000.

Liquidity and Capital Resources

At April 30, 2008, we had working capital of approximately \$26,458,000, which consisted of current assets of approximately \$44,382,000 and current liabilities of \$17,924,000.

Operating activities utilized approximately \$1,245,000 in cash for the year ended April 30, 2008. The sources of cash from operating activities total approximately \$6,765,000, comprised of \$4,078,000 net income, \$2,419,000 in net non-cash charges, a \$170,000 decrease in costs and estimated earnings in excess of billings on uncompleted contracts, and a \$98,000 increase in deferred revenue. The uses of cash from operating activities total approximately \$8,010,000, comprised of a \$5,379,000 increase in accounts receivable, a \$397,000 increase in inventory, a \$115,000 increase in prepaid expenses and other current assets, a \$536,000 increase in other assets, a \$328,000 decrease in billings in excess of costs and estimated earnings on uncompleted contracts, an \$803,000 decrease in income taxes payable and a \$452,000 decrease in accounts payable and accrued expenses. Net earnings adjusted for non-cash items provided cash of \$6,497,000 versus \$5,888,000 in fiscal 2007, offset by an increase in cash used for working capital. Working capital used cash of approximately \$7,742,000 in 2008 versus providing cash of \$281,000 in 2007. Working capital components used cash in fiscal 2008 reflecting higher levels of accounts receivable and inventory in connection with overall sales growth.

Our investing activities utilized approximately \$10,478,000 in cash during the year ended April 30, 2008, which consisted of \$716,000 paid for property and equipment, and \$9,762,000 paid for the acquisitions of NECS, SECS, Voacolo, Major, Max, Empire, James, and Energize, net of cash acquired of \$389,000. Fiscal 2008 acquisitions were funded primarily from the \$9.3 million of cash received in the third quarter of 2007 from the issuance of our common stock.

Our financing activities utilized cash of approximately \$2,431,000 during the year ended April 30, 2008. Financing activities included net line of credit repayments of \$1,815,000, repayment of loan payables and capital lease obligations of approximately \$1,029,000 and equity issuance costs of \$14,000, offset by net proceeds from the exercise of stock options of \$61,000, and a \$16,000 tax benefit from the exercise of stock options, and \$350,000 in net borrowings from shareholders. Financing activities used cash of \$2.4 million in 2008 versus providing cash of \$11.7 million in fiscal 2007. 2007 financing activities included net proceeds of \$9,338,000 received from the issuance of common stock, which were raised to fund 2008 acquisitions described above.

Our capital requirements depend on numerous factors, including the market for our services, the resources we devote to developing, marketing, selling and supporting our business, the timing and extent of establishing additional markets and other factors.

On April 10, 2007, we entered into a loan agreement with Bank of America, N.A. (BOA). The loan agreement (Loan Agreement) provides for a revolving line of credit in an amount not to exceed \$12,000,000, together with a letter of credit facility not to exceed \$2,000,000. We also entered into security agreements with BOA, pursuant to which we granted a security interest to BOA in all of our assets. The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth, and (ii) minimum interest coverage ratio. The loan commitment shall expire on April 10, 2010, and we may prepay the loan at any time. Loans under the Loan Agreement bear interest at a rate equal to BOA's prime rate, minus one percentage point, or we have the option to elect to use the optional interest rate of LIBOR plus one hundred seventy-five basis points. As of April 30, 2008, interest rates ranged from 4.00% to 4.82% on outstanding borrowings of approximately \$4,376,000 under the Loan Agreement with BOA.

At April 30, 2008, we had cash and cash equivalents of approximately \$7,450,000 and working capital of approximately \$26,458,000. With internally available funds and funds available from the Loan Agreement, we believe that we have sufficient capital to meet our short term needs. Our future operating results may be affected by a number of factors including our success in bidding on future contracts and our continued ability to manage controllable costs effectively. To the extent we grow by future acquisitions that involve consideration other than stock, our cash requirements may increase.

On March 30, 2007, we acquired Voacolo. Through April 30, 2008, the aggregate consideration paid by us, including acquisition transaction costs of \$31,389, was \$2,563,863 of which \$1,281,389 was paid in cash, and we issued 116,497 shares of common stock valued at \$1,282,473. In June 2008, we settled and paid aggregate additional cash consideration of \$2,500,000 to the former Voacolo shareholders for the earnout settlement for the twelve months ended March 31, 2008. The acquisition of Voacolo expands our geographic presence in the Mid-Atlantic region and provides additional electrical contracting services in both high and low voltage applications, structured cabling and voice/data/video solutions, as well as the expansion of our operations into wireless video surveillance.

On April 5, 2007, we acquired a 60% Equity Interest and a 60% Profit Interest (together the Interest) in TAGS, a joint venture enterprise in the City of Taian, Shandong province, the People's Republic of China, from American Gas Services, Inc. and American Gas Services, Inc. Consultants, respectively. The aggregate consideration paid by us, including acquisition transaction costs of \$185,409, was \$1,785,409 of which \$985,409 was paid in cash, and we issued 68,085 shares of common stock valued at approximately \$800,000. Founded in 1997, TAGS is a communications infrastructure engineering company serving the China market. TAGS is certified by the People's Republic of China as both a Construction Enterprise of Reform Development company and a Technically Advanced Construction Enterprise company for the Province of Shandong. TAGS is also licensed in 17 other provinces and has completed projects for a diverse customer base of businesses and government institutions in over 30 cities in China. The acquisition of TAGS provides us international expansion into China consistent with our emphasis on China and surrounding Pacific Rim countries.

On August 1, 2007, we acquired Major. The aggregate consideration paid by us, including acquisition transaction costs of \$44,226, was \$6,663,717, of which \$4,215,701 was paid in cash and we issued 242,776 shares of common stock valued at \$2,448,016. The acquisition of Major expands our geographic presence in the Pacific Northwest region and provides additional wireless and electrical contracting services in direct digital controls, security, wireless SCADA applications and wireless infrastructure.

On August 2, 2007, we acquired Max. The aggregate consideration paid by us, including acquisition transaction costs of \$30,498, was \$830,498, of which \$630,498 was paid in cash and we issued 17,007 shares of common stock valued at \$200,000. In addition, we shall pay an additional: (i) \$350,000 in cash or our common stock if Max's earnings before interest and taxes for the twelve months ending August 1, 2008 shall equal or exceed \$275,000; and (ii) \$375,000 in cash or our common stock if Max's earnings before interest and taxes for the twelve months ending August 1, 2009 shall equal or exceed \$375,000. The acquisition of Max expands our geographic expansion into Texas and provides additional engineering services that specialize in the design of specialty communication systems and wireless infrastructure for the telecommunications, oil, gas and wind energy markets.

On November 1, 2007, we acquired Empire. The aggregate consideration paid by us, including acquisition transaction costs of \$40,154, was \$2,511,154 in cash. The acquisition of Empire expands our geographic presence in California and provides additional electrical contractor services that specialize in low voltage applications for healthcare, state government and military customers.

On November 30, 2007, we acquired James. Through April 30, 2008, the aggregate consideration paid by us, including acquisition transaction costs of \$74,151, was \$1,145,151 in cash. In May 2008, we settled and paid aggregate additional cash consideration of \$281,725 to the former James shareholders for final settlement of the net tangible asset adjustment. James is a design engineering services company specializing in building automation including mechanical, electrical, hydraulic, fire protection, lift, security access and wireless systems. The acquisition of James provides us international expansion into Australia consistent with our emphasis on Australia, China and surrounding Pacific Rim countries.

On April 4, 2008, we acquired Energize. The aggregate consideration paid by us, including acquisition transaction costs of \$84,175, was \$1,627,297 in cash, subject to adjustment. Energize is an electrical contractor specializing in underground utilities, maintenance and low voltage applications including voice, data and video for commercial and building infrastructure companies, and is expanding its wireless deployment capabilities. The acquisition of Energize provides further international expansion into Australia.

On June 26, 2008, we acquired all the assets of Lincoln Wind LLC (Lincoln Wind) for aggregate consideration of \$400,000 in cash. Lincoln Wind is an engineering company focused on the implementation of meteorological towers that measure the wind capacity of geographic areas prior to the construction of a wind farm. The acquisition of Lincoln Wind provides additional engineering services that specialize in the design of specialty communication systems for the wind energy market.

Backlog

As of April 30, 2008, we had a backlog of unfilled orders of approximately \$59.8 million compared to approximately \$34.9 million at April 30, 2007. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is a written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments which may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

Financial Reporting Release No. 60, published by the SEC, recommends that all companies include a discussion of critical accounting policies used in the preparation of their financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

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

The accounting policies identified as critical are as follows:

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates relate to revenue recognition based on the estimation of percentage of completion on uncompleted contracts, valuation of inventory, allowance for doubtful accounts, amortization methods and estimated lives of customer lists and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

Accounts Receivable

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

Goodwill and Other Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets. We assess the impairment of goodwill annually as of April 30 and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. Intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. We are required to make judgments and assumptions in identifying those events or changes in circumstances that may trigger impairment. Some of the factors we consider include a significant decrease in the market value of an asset, significant changes in the extent or manner for which the asset is being used or in its physical condition, a significant change, delay or departure in our business strategy related to the asset, significant negative changes in the business climate, industry or economic condition, or current period operating losses, or negative cash flow combined with a history of similar losses or a forecast that indicates continuing losses associated with the use of an asset.

Our annual review for goodwill impairment for the fiscal years 2008 and 2007 found that no impairment existed. Our impairment review is based on comparing the fair value to the carrying value of the reporting units with goodwill. The fair value of a reporting unit is measured at the business unit level using a discounted cash flow approach that incorporates our estimates of future revenues and costs for those business units. Reporting units with goodwill include Heinz/Invisinet, SECS and Max within our wireless infrastructure segment and Walker, Clayborn, Quality, NECS, Voacolo, Major, Empire, James and Energize within our specialty communications segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

Deferred Income Taxes

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

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

Revenue Recognition

We generate our revenue by providing design-build engineering services for specialty communication systems and wireless infrastructure services. We provide services that include site design, technology integration, electrical contracting, construction and project management. Our engineering 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.

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

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FAS No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes is subject to significant and varied interpretations that have resulted in diverse and inconsistent accounting practices and measurements. Addressing such diversity, FIN 48 prescribes a consistent recognition threshold and measurement attribute, as well as clear criteria for subsequently recognizing, derecognizing and measuring changes in such tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on May 1, 2007 had no impact on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

On September 15, 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. On February 12, 2008, the FASB issued staff position No. SFAS 157-2, "effective date of FASB No. 157 Fair Value Measurements", which delays the effective date of SFAS 157 for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 157 on our consolidated financial position, results of operations and cash flows or financial statement disclosures.

In September 2006, the SEC issued SAB No. 108 "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" (SAB 108), which is effective for fiscal years beginning after November 15, 2006 provides interpretive guidance on how registrants should quantify financial statement misstatements. Under SAB 108 registrants are required to consider both a "rollover" method, which focuses primarily on the income statement impact of misstatements, and the "iron curtain" method, which focuses primarily on the balance sheet impact of misstatements. The effects of prior year uncorrected errors include the potential accumulation of improper amounts that may result in a material misstatement on the balance sheet or the reversal of prior period errors in the current period that result in a material misstatement of the current period income statement amounts. Adjustments to current or prior period financial statements would be required in the event that after application of various approaches for assessing materiality of a misstatement in current period financial statements and consideration of all relevant quantitative factors, a misstatement is determined to be material. The application of the provisions of SAB 108 did not have a material effect on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

In February, 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the potential impact, if any, of the adoption of SFAS 159 on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

On December 4, 2007, the FASB issued SFAS No. 141(R) "Business Combinations" (SFAS 141(R)), and SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" (SFAS 160). These new standards will significantly change the accounting for and reporting for business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We will evaluate the impact of adopting SFAS 141(R) and SFAS 160 on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

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

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for “smaller reporting companies.”

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

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**WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
WPCS International Incorporated and Subsidiaries

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended April 30, 2008. Our audits also included the consolidated financial statement schedule for the years ended April 30, 2008 and 2007 listed in the Index at Item 15 (Schedule II). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2008 and 2007, and their consolidated results of operations and cash flows for each of the two years in the period ended April 30, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule for the years ended April 30, 2008 and 2007, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, WPCS International Incorporated and Subsidiaries adopted Statement of Financial Accounting Standard No. 123(R) "Share-Based Payment" effective May 1, 2006.

/ s / J.H. COHN LLP

July 28, 2008

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	<u>April 30,</u> <u>2008</u>	<u>April 30,</u> <u>2007</u> <small>(Note 1)</small>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,449,530	\$ 21,558,739
Accounts receivable, net of allowance of \$98,786 at April 30, 2008 and April 30, 2007	29,092,488	16,560,636
Costs and estimated earnings in excess of billings on uncompleted contracts	3,887,152	2,499,940
Inventory	2,791,782	2,260,082
Prepaid expenses and other current assets	1,002,993	732,043
Prepaid income tax	122,342	-
Deferred tax assets	35,939	27,000
Total current assets	<u>44,382,226</u>	<u>43,638,440</u>
PROPERTY AND EQUIPMENT, net	6,828,162	5,488,920
OTHER INTANGIBLE ASSETS, net	2,929,937	1,683,349
GOODWILL	28,987,501	20,469,608
OTHER ASSETS	<u>820,315</u>	<u>273,353</u>
Total assets	<u>\$ 83,948,141</u>	<u>\$ 71,553,670</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>April 30,</u> <u>2008</u>	<u>April 30,</u> <u>2007</u> (Note 1)
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 1,272,112	\$ 1,881,682
Borrowings under line of credit	750,000	-
Current portion of capital lease obligations	91,491	-
Accounts payable and accrued expenses	9,305,791	6,802,110
Billings in excess of costs and estimated earnings on uncompleted contracts	3,602,422	2,272,688
Deferred revenue	602,560	504,458
Due to shareholders	2,300,083	1,424,190
Income taxes payable	-	433,361
Total current liabilities	<u>17,924,459</u>	<u>13,318,489</u>
Borrowings under line of credit	4,376,056	4,454,217
Loans payable, net of current portion	156,978	284,016
Capital lease obligations, net of current portion	215,780	-
Deferred tax liabilities	1,173,786	611,000
Total liabilities	<u>23,847,059</u>	<u>18,667,722</u>
Minority interest in subsidiary	<u>1,331,850</u>	<u>1,353,965</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock - \$0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock - \$0.0001 par value, 75,000,000 shares authorized, 7,251,083 and 6,971,698 shares issued and outstanding at April 30, 2008 and April 30, 2007, respectively	725	697
Additional paid-in capital	50,775,938	47,901,159
Retained earnings	7,709,562	3,631,215
Accumulated other comprehensive income (loss) on foreign currency translation	283,007	(1,088)
Total shareholders' equity	<u>58,769,232</u>	<u>51,531,983</u>
Total liabilities and shareholders' equity	<u>\$ 83,948,141</u>	<u>\$ 71,553,670</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended	
	April 30,	
	<u>2008</u>	<u>2007</u>
REVENUE	\$ 101,431,128	\$ 70,000,070
COSTS AND EXPENSES:		
Cost of revenue	73,084,310	47,781,351
Selling, general and administrative expenses	19,302,773	13,244,909
Depreciation and amortization	<u>2,398,603</u>	<u>1,239,486</u>
Total costs and expenses	<u>94,785,686</u>	<u>62,265,746</u>
OPERATING INCOME	6,645,442	7,734,324
OTHER EXPENSE (INCOME):		
Interest expense	522,984	496,330
Interest income	(511,122)	(525,524)
Minority interest	<u>(22,115)</u>	<u>23,099</u>
INCOME BEFORE INCOME TAX PROVISION	6,655,695	7,740,419
Income tax provision	<u>2,577,348</u>	<u>3,146,818</u>
NET INCOME	<u>\$ 4,078,347</u>	<u>\$ 4,593,601</u>
Basic net income per common share	<u>\$ 0.58</u>	<u>\$ 0.80</u>
Diluted net income per common share	<u>\$ 0.52</u>	<u>\$ 0.72</u>
Basic weighted average number of common shares outstanding	<u>7,090,789</u>	<u>5,772,423</u>
Diluted weighted average number of common shares outstanding	<u>7,840,852</u>	<u>6,409,333</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Compre- hensive Loss</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
BALANCE, MAY 1, 2006	-	\$ -	5,264,284	\$ 526	\$ 33,525,130	\$ (962,386)	-	\$ 32,563,270
Net issuance of common stock, acquisition of								
Southeastern Communication Service, Inc.	-	-	200,288	20	1,349,631	-	-	1,349,651
Net issuance of common stock, acquisition of								
Voacolo Electric, Inc	-	-	113,534	11	1,249,869	-	-	1,249,880
Net issuance of common stock, acquisition of								
TAGS	-	-	61,277	6	719,864	-	-	719,870
Net issuance of common stock	-	-	1,109,023	111	9,337,780	-	-	9,337,891
Net proceeds from exercise of warrants	-	-	30,281	3	197,873	-	-	197,876
Fair value of stock options granted to employees	-	-	-	-	37,526	-	-	37,526
Net proceeds from exercise of stock options	-	-	193,011	20	1,225,486	-	-	1,225,506
Excess tax benefit from exercise of stock options	-	-	-	-	258,000	-	-	258,000
Accumulated other comprehensive loss	-	-	-	-	-	-	(1,088)	(1,088)
Net income	-	-	-	-	-	\$ 4,593,601	-	4,593,601
BALANCE, April 30, 2007	-	\$ -	6,971,698	\$ 697	\$ 47,901,159	\$ 3,631,215	\$ (1,088)	\$ 51,531,983

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY – CONTINUED

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Compre- hensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
BALANCE, May 1, 2007	-	\$ -	6,971,698	\$ 697	\$ 47,901,159	\$ 3,631,215	\$ (1,088)	\$ 51,531,983
Net issuance of common stock, acquisitions								
of TAGS, Voacolo, Major and Max	-	-	269,554	27	2,760,462	-	-	2,760,489
Fair value of stock options granted to employees	-	-	-	-	51,717	-	-	51,717
Proceeds from exercise of stock options	-	-	9,831	1	60,531	-	-	60,532
Equity issuance cost	-	-	-	-	(13,931)	-	-	(13,931)
Excess tax benefit from exercise of stock options	-	-	-	-	16,000	-	-	16,000
Accumulated other comprehensive income	-	-	-	-	-	-	284,095	284,095
Net income	-	-	-	-	-	\$ 4,078,347	-	4,078,347
BALANCE, APRIL 30, 2008	-	\$ -	<u>7,251,083</u>	<u>\$ 725</u>	<u>\$ 50,775,938</u>	<u>\$ 7,709,562</u>	<u>\$ 283,007</u>	<u>\$ 58,769,232</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended April 30,	
	2008	2007
		(Note 1)
OPERATING ACTIVITIES :		
Net income	\$ 4,078,347	\$ 4,593,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,398,603	1,239,486
Fair value of stock options granted to employees	51,717	37,526
Recovery of doubtful accounts	-	(6,000)
Amortization of debt issuance costs	-	111,091
Excess tax benefit from exercise of stock options	(16,000)	(258,000)
Minority interest	(22,115)	23,099
Gain on sale of fixed assets	(4,668)	(13,675)
Deferred income taxes	11,668	161,000
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(5,378,553)	2,320,439
Costs and estimated earnings in excess of billings on uncompleted contracts	170,020	(421,204)
Inventory	(397,020)	229,358
Prepaid expenses and other current assets	(115,019)	89,273
Other assets	(536,157)	(180,187)
Accounts payable and accrued expenses	(452,234)	(2,345,468)
Billings in excess of costs and estimated earnings on uncompleted contracts	(328,318)	329,544
Deferred revenue	97,934	222,092
Income taxes payable	(803,479)	37,244
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,245,274)	6,169,219

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS – CONTINUED

	Year Ended	
	April 30,	
	<u>2008</u>	<u>2007</u>
	(Note 1)	
INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	(715,849)	(673,237)
Acquisition of NECS, net of cash received	(3,534)	(4,607,268)
Acquisition of SECS, net of cash received	60,892	(1,882,321)
Acquisition of Voacolo, net of cash received	(69,601)	(627,694)
Acquisition of TAGS, net of cash received	-	(841,252)
Acquisition of Major, net of cash received	(4,268,320)	-
Acquisition of Max, net of cash received	(524,572)	-
Acquisition of Empire, net of cash received	(2,427,999)	-
Acquisition of James, net of cash received	(922,763)	-
Acquisition of Energize, net of cash received	(1,605,868)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(10,477,614)</u>	<u>(8,631,772)</u>
FINANCING ACTIVITIES:		
Net proceeds from exercise of warrants	-	197,876
Net proceeds from issuance of common stock	-	9,337,891
Net proceeds from exercise of stock options	60,532	1,225,506
Excess tax benefit from exercise of stock options	16,000	258,000
Equity issuance costs	(13,931)	(50,613)
Debt issuance costs	-	(10,000)
(Repayments)/borrowings under lines of credit, net	(1,814,935)	1,454,217
Repayments under loans payable, net	(921,779)	(456,405)
Borrowings/(repayments) of amounts due to shareholders	350,259	(189,000)
Payments of capital lease obligations	(107,558)	(24,738)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(2,431,412)</u>	<u>11,742,734</u>
Effect of exchange rate changes on cash	45,091	(1,088)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,109,209)	9,279,093
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,558,739</u>	<u>12,279,646</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 7,449,530</u>	<u>\$ 21,558,739</u>

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

**WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS – CONTINUED**

	<u>April 30, 2008</u>	<u>April 30, 2007</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>522,984</u>	<u>\$ 433,742</u>
Income taxes	<u>2,049,667</u>	<u>\$ 2,897,944</u>
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock for net non-cash assets received in acquisitions	<u>\$ 2,760,489</u>	<u>\$ 3,370,011</u>
Issuance of notes for property and equipment	<u>\$ 172,532</u>	<u>\$ 74,382</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, WPCS Incorporated, Invisinet Inc. (Invisinet), Walker Comm, Inc. (Walker), Clayborn Contracting Group, Inc. (Clayborn), Heinz Corporation (Heinz), Quality Communications & Alarm Company, Inc. (Quality), New England Communications Systems, Inc. (NECS) from June 1, 2006 (date of acquisition), Southeastern Communication Services, Inc. (SECS) from July 19, 2006 (date of acquisition), Voacolo Electric Incorporated (Voacolo) from March 30, 2007 (date of acquisition), Taian AGS Pipeline Construction Co. Ltd (TAGS) from April 5, 2007 (date of acquisition), Major Electric, Inc. (Major) from August 1, 2007 (date of acquisition), Max Engineering LLC (Max) from August 2, 2007 (date of acquisition), Gomes and Gomes, Inc. dba Empire Electric (Empire) from November 1, 2007 (date of acquisition), WPCS Australia Pty Ltd from November 12, 2007 (date of formation), James Design Pty Ltd (James) from November 30, 2007 (date of acquisition), WPCS Asia Limited from January 24, 2008 (date of formation) and RL & CA MacKay Pty Ltd. dba Energize Electrical (Energize) from April 4, 2008 (date of acquisition), collectively the "Company". Certain reclassifications have been made to prior period consolidated financial statements to conform to the current presentation.

The Company provides design-build engineering services that focus on the implementation requirements of wireless technology. The Company serves the specialty communication systems and wireless infrastructure sectors. The Company provides services that include site design, technology integration, electrical contracting, construction, and project management for corporations, government entities and educational institutions worldwide.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly-liquid investments with an original maturity at time of purchase of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces credit risk by placing its temporary cash and investments with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts based on its history of write-offs, current economic conditions and an evaluation of the credit risk related to specific customers.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of \$2,626,788 and \$750,249 at April 30, 2008 and 2007, respectively, which is expected to be collected within one year.

Inventory

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided for, using straight-line methods, in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance costs are charged to operations as incurred.

Goodwill and Other Intangible Assets

In accordance with Statement of Financial Standards (SFAS No. 142), "Goodwill and Other Intangible Assets," goodwill and indefinite-lived intangible assets are no longer amortized but are assessed for impairment on at least an annual basis. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

SFAS No. 142 requires that goodwill be tested at least annually, utilizing a two-step methodology. The initial step requires the Company to determine the fair value of the business acquired (reporting unit) and compare it to the carrying value, including goodwill, of such business (reporting unit). If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount, if any, of the impairment is then measured in the second step, based on the excess, if any, of the reporting unit's carrying value of goodwill over its implied value.

The Company determines the fair value of the businesses acquired (reporting units) for purposes of this test primarily by using a discounted cash flow valuation technique. Significant estimates used in the valuation include estimates of future cash flows, both future short-term and long-term growth rates, and estimated cost of capital for purposes of arriving at a discount factor. The fair value of the Company's reporting units derived using discounted cash flow models exceeded the carrying values of the reporting units at April 30, 2008 and 2007. Accordingly, step two was unnecessary and no impairment charge was recognized in the consolidated statements of income for the years ended April 30, 2008 and 2007. On an ongoing basis, the Company expects to perform its annual impairment test at April 30 absent any interim impairment indicators.

Goodwill through the years ended April 30, 2008 and 2007 consisted of the following:

	Wireless Infrastructure	Specialty Communication	Total
Beginning balance, May 1, 2006	\$ 2,482,084	\$ 11,757,834	\$ 14,239,918
Additional transaction costs for prior acquisitions	13,780	-	13,780
NECS acquisition	-	3,380,112	3,380,112
SECS acquisition	1,823,205	-	1,823,205
Voacolo acquisition	-	1,012,593	1,012,593
Ending balance, April 30, 2007	4,319,069	\$ 16,150,539	20,469,608
Voacolo acquisition - purchase price adjustment	-	476,139	476,139
NECS acquisition - purchase price adjustment	-	35,595	35,595
SECS acquisition - purchase price adjustment	(39,775)	-	(39,775)
Major acquisition	-	4,505,562	4,505,562
Max acquisition	304,407	-	304,407
Empire acquisition	-	1,796,709	1,796,709
James acquisition	-	434,835	434,835
Energize acquisition	-	961,201	961,201
Foreign currency translation adjustments - Australia	-	43,220	43,220
Ending balance, April 30, 2008	<u>\$ 4,583,701</u>	<u>\$ 24,403,800</u>	<u>\$ 28,987,501</u>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At April 30, 2008 and 2007, the total amount of goodwill expected to be deducted for tax purposes is \$15,427,560 and \$10,926,178, respectively, related to the Quality, NECS, SECS, and Major acquisitions.

Other intangible assets consist of the following at April 30:

	<u>Estimated useful life (years)</u>	<u>2008</u>	<u>2007</u>
Customer lists	5-9	\$ 4,119,269	\$ 2,607,000
Contract backlog	1-3	919,722	325,200
		<u>5,038,991</u>	<u>2,932,200</u>
Less accumulated amortization expense		2,109,054	1,248,851
		<u>\$ 2,929,937</u>	<u>\$ 1,683,349</u>

Amortization expense for other intangible assets for the years ended April 30, 2008 and 2007 was approximately \$859,000 and \$463,000, respectively.

At April 30, 2008, the weighted average amortization period for customer lists, backlog, and total other intangible assets was 6.9, 1.6, and 5.9 years, respectively. At April 30, 2007, the weighted average amortization period for customer lists, backlog, and total other intangible assets was 6.2, 1.7 and 5.7 years, respectively.

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

Year ending April 30,	
2009	\$ 811,745
2010	527,445
2011	388,224
2012	331,836
2013	337,618
Thereafter	533,069
Total Intangible Assets	<u>\$ 2,929,937</u>

Revenue Recognition

The Company generates its revenue by providing design-build engineering services for specialty communication systems and wireless infrastructure services. The Company provides services that include site design, technology integration, electrical contracting, construction, and project management. The Company's engineering and deployment services report revenue pursuant to customer contracts that span varying periods of time. The Company reports revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

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

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Other Concentrations

For the year ended April 30, 2008, the Company did not have any customers whose revenue was more than 10% of revenue. For the year ended April 30, 2007, the Company had two separate customers totaling approximately \$12.7 million and \$8.2 million, which comprised 18.1% and 11.7% of total revenue. Management believes there is no significant business vulnerability regarding the concentration of revenue due to the Company's strong relationship with these customers and their financial strength.

The Company has 241 union employees. A contract with 61 union employees at Empire expires on December 31, 2008. Two contracts with 70 union employees at Walker expire from December 31, 2008 to November 30, 2009. Three contracts with eight union employees at Heinz expire from May 1, 2009 to May 2, 2012. A contract with 22 union employees at Voacolo expires on January 1, 2010. A contract with 80 union employees at Major expires on May 31, 2010. At April 30, 2008, approximately 45% of the Company's labor force is subject to collective bargaining agreements, of which 29% will expire within one year.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "Accounting of Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FAS No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes is subject to significant and varied interpretations that have resulted in diverse and inconsistent accounting practices and measurements. Addressing such diversity, FIN 48 prescribes a consistent recognition threshold and measurement attribute, as well as clear criteria for subsequently recognizing, derecognizing and measuring changes in such tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on May 1, 2007 had no impact on the Company's consolidated financial position, results of operations, cash flows or financial statement disclosures.

Earnings Per Common Share

Earnings per common share is computed pursuant to SFAS No. 128, "Earnings Per Share" (EPS). Basic net income per common share is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur from common stock issuable through stock options and warrants. The table below presents the computation of basic and diluted net income per common share for the years ended April 30, 2008 and 2007, respectively:

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basic earnings per share computation

Numerator:	<u>2008</u>	<u>2007</u>
Net Income	\$ 4,078,347	\$ 4,593,601
Denominator:		
Basic weighted average shares outstanding	<u>7,090,789</u>	<u>5,772,423</u>
Basic net income per common share	<u>\$ 0.58</u>	<u>\$ 0.80</u>

Diluted earnings per share computation

Numerator:	<u>2008</u>	<u>2007</u>
Net Income	\$ 4,078,347	\$ 4,593,601
Denominator:		
Basic weighted average shares outstanding	7,090,789	5,772,423
Incremental shares from assumed conversion:		
Conversion of stock options	173,887	153,937
Conversion of common stock warrants	<u>576,176</u>	<u>482,973</u>
Diluted weighted average shares	<u>7,840,852</u>	<u>6,409,333</u>
Diluted net income per common share	<u>\$ 0.52</u>	<u>\$ 0.72</u>

At April 30, 2008, the Company had 645,818 stock options and 1,883,796 warrants outstanding which are potentially dilutive securities. For the year ended April 30, 2008, 176,385 options were not included in the computation of fully diluted earnings per common share. At April 30, 2007, the Company had 560,834 stock options and 1,883,796 warrants outstanding which are potentially dilutive securities. For the year ended April 30, 2007, 91,791 options were not included in the computation of fully diluted earnings per common share. These potentially dilutive securities were excluded because the stock option exercise price exceeded the average market price of the common stock, and therefore the effects would be antidilutive.

Stock-Based Compensation Plans

In accordance with SFAS 123(R) (revised December 2004), "Share-Based Payment, an amendment of SFAS 123, Accounting for Stock-Based Compensation", the Company recognizes stock-based employee compensation expense. The Company recorded stock-based compensation of \$51,717 and \$37,526 for the years ended April 30, 2008 and 2007, respectively.

At April 30, 2008, the total compensation cost related to unvested stock options granted to employees under the Company's stock option plans but not yet recognized was approximately \$258,000 and is expected to be recognized over a weighted-average period of 3.28 years. For the years ended April 30, 2008 and 2007, the weighted average fair value of stock options granted was \$3.03 and \$3.86, respectively.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures. The following assumptions were used to compute the fair value of stock options granted during the years ended April 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	1.65% to 4.74%	4.73% to 4.96%
Expected volatility	53.8% to 58.3%	61.0% to 62.4%
Expected dividend yield	0.00%	0.00%
Expected term (in years)	3.5 to 3.75	3.5

The risk-free rate is based on the rate of U.S Treasury zero-coupon issues with a remaining term equal to the expected term of the option grants. Expected volatility is based on the historical volatility of the Company's common stock using the weekly closing price of the Company's common stock, pursuant to SEC Staff Accounting Bulletin Nos. 107 (SAB 107). The expected dividend yield is zero based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was calculated using the simplified method pursuant to SAB 107 and SAB 110.

Other Comprehensive Income

Other comprehensive income consists of the following at April 30:

	<u>2008</u>	<u>2007</u>
Net income	\$ 4,078,347	\$ 4,593,601
Other comprehensive income (loss) – foreign currency translation adjustments, net	<u>284,095</u>	<u>(1,088)</u>
Comprehensive income	<u>\$ 4,362,442</u>	<u>\$ 4,592,513</u>

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Pronouncements

On September 15, 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. On February 12, 2008, the FASB issued staff position No. SFAS 157-2, "effective date of FASB No. 157 Fair Value Measurements", which delays the effective date of SFAS 157 for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 157 on its consolidated financial position, results of operations and cash flows or financial statement disclosures.

In September 2006, the SEC issued SAB No. 108 *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), which is effective for fiscal years beginning after November 15, 2006 provides interpretive guidance on how registrants should quantify financial statement misstatements. Under SAB 108 registrants are required to consider both a "rollover" method, which focuses primarily on the income statement impact of misstatements, and the "iron curtain" method, which focuses primarily on the balance sheet impact of misstatements. The effects of prior year uncorrected errors include the potential accumulation of improper amounts that may result in a material misstatement on the balance sheet or the reversal of prior period errors in the current period that result in a material misstatement of the current period income statement amounts. Adjustments to current or prior period financial statements would be required in the event that after application of various approaches for assessing materiality of a misstatement in current period financial statements and consideration of all relevant quantitative factors, a misstatement is determined to be material. The application of the provisions of SAB 108 did not have a material effect on the Company's consolidated financial position, results of operations, cash flows or financial statement disclosures.

In February, 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 159 on its consolidated financial position, results of operations, cash flows or financial statement disclosures.

On December 4, 2007, the FASB issued SFAS No. 141(R) "Business Combinations" (SFAS 141(R)), and SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" (SFAS 160). These new standards will significantly change the accounting for and reporting for business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company will evaluate the impact of adopting SFAS 141(R) and SFAS 160 on its consolidated financial position, results of operations, cash flows or financial statement disclosures.

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

NOTE 3 - ACQUISITIONS

In accordance with SFAS No. 141, "Business Combinations," acquisitions are accounted for under the purchase method of accounting. Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent the purchase price consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

Voacolo

On March 30, 2007, the Company acquired Voacolo. The aggregate consideration paid by the Company, including acquisition transaction costs of \$31,389, was \$2,563,863 of which \$1,281,389 was paid in cash, and the Company issued 116,497 shares of common stock valued at \$1,282,473. In June 2008, the Company settled and paid aggregate additional cash consideration of \$2,500,000 to the former Voacolo shareholders for the earnout settlement for the twelve months ended March 31, 2008. Voacolo was acquired pursuant to a Stock Purchase Agreement among the Company, and the former Voacolo shareholders, dated and effective as of March 30, 2007. In connection with the acquisition, Voacolo entered into employment agreements with the former Voacolo shareholders, each for a period of two years. The acquisition of Voacolo expands the Company's geographic presence in the Mid-Atlantic region and provides additional electrical contracting services in both high and low voltage applications, structured cabling and voice/data/video solutions, as well as the expansion of its operations into wireless video surveillance.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The purchase price allocation has been determined as follows:

Assets purchased:

Cash	\$ 584,094
Accounts receivable	2,095,564
Inventory	217,500
Prepaid expenses	46,858
Costs in excess of billings	215,143
Fixed assets	346,569
Backlog	200,200
Customer lists	132,000
Goodwill	1,488,732
	<u>5,326,660</u>

Liabilities assumed:

Accounts payable	(732,252)
Accrued expenses	(102,832)
Payroll and other payables	(79,943)
Billings in excess of costs	(935,179)
Deferred income tax payable	(181,000)
Income tax payable	(28,171)
Loan payable	(602,984)
Notes payable	(100,436)
	<u>(2,762,797)</u>

Purchase price	<u>\$ 2,563,863</u>
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TAGS

On April 5, 2007, the Company acquired a 60% Equity Interest and a 60% Profit Interest (together the Interest) in TAGS, a joint venture enterprise in the City of Taian, Shandong province, the People's Republic of China, from American Gas Services, Inc. (AGS) and American Gas Services, Inc. Consultants (AGS Consultants), respectively. The aggregate consideration paid by the Company, including acquisition transaction costs of \$185,409, was \$1,785,409 of which \$985,409 was paid in cash, and the Company issued 68,085 shares of common stock valued at approximately \$800,000.

Founded in 1997, TAGS is a communications infrastructure engineering company serving the China market. TAGS is certified by the People's Republic of China as both a Construction Enterprise of Reform Development company and a Technically Advanced Construction Enterprise company for the Province of Shandong. TAGS is also licensed in 17 other provinces and has completed projects for a diverse customer base of businesses and government institutions in over 30 cities in China. The acquisition of TAGS provides the Company international expansion into China consistent with its emphasis on China and surrounding Pacific Rim countries.

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$ 141,564
Accounts receivable	1,727,953
Inventory	341,812
Other current assets	399,664
Fixed assets	<u>3,694,948</u>
	<u>6,305,941</u>
Liabilities assumed:	
Accounts payable	(72,710)
Accrued expenses and other payable	(714,126)
Payroll and other payables	(171,463)
Dividends payable	(252,724)
Income tax payable	(235,279)
Notes payable	(1,681,846)
Deferred revenue	(61,519)
Minority interest	<u>(1,330,865)</u>
	<u>(4,520,532)</u>
Purchase price	<u>\$ 1,785,409</u>

Major

On August 1, 2007, the Company acquired Major. The aggregate consideration paid by the Company, including acquisition transaction costs of \$44,226, was \$6,663,717, of which \$4,215,701 was paid in cash and the Company issued 242,776 shares of common stock valued at \$2,448,016. In addition, the Company shall pay additional consideration to the former Major shareholders regarding reimbursement of income taxes related to the Internal Revenue Code Section 338(h)(10) election. The Company expects to settle this contingent consideration within the one-year timeframe permitted under SFAS 141 and will adjust goodwill for any additional consideration required to be paid pursuant to this provision of the purchase agreement. Major was acquired pursuant to a Stock Purchase Agreement among the Company and the former Major shareholders, dated and effective as of August 1, 2007. In connection with the acquisition, Major entered into employment agreements with the former president and vice president, for a period of one and two years, respectively. The acquisition of Major expands the Company's geographic presence in the Pacific Northwest region and provides additional wireless and electrical contracting services in direct digital controls, security, wireless SCADA applications and wireless infrastructure.

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

The purchase price allocation has been determined as follows:

Assets purchased:	
Accounts receivable	\$ 3,830,626
Inventory	162,647
Prepaid expenses	117,349
Costs in excess of billings	1,445,749
Fixed assets	682,637
Other assets	8,855
Backlog	130,000
Customer lists	390,000
Goodwill	<u>4,505,562</u>
	<u>11,273,425</u>

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Liabilities assumed:	
Cash overdraft	(52,618)
Accounts payable	(424,513)
Accrued expenses	(12,788)
Payroll and other payable	(605,456)
Billings in excess of costs	(985,204)
Line of credit	(2,086,774)
Loan payable	(24,638)
Capital lease obligation	(242,297)
Shareholder loan	(175,420)
	<u>(4,609,708)</u>
Purchase price	<u>\$ 6,663,717</u>

Max

On August 2, 2007, the Company acquired Max. The aggregate consideration paid by the Company, including acquisition transaction costs of \$30,498, was \$830,498, of which \$630,498 was paid in cash and the Company issued 17,007 shares of common stock valued at \$200,000. In addition, the Company shall pay an additional: (i) \$350,000 in cash or Company common stock if Max's earnings before interest and taxes for the twelve months ending August 1, 2008 shall equal or exceed \$275,000; and (ii) \$375,000 in cash or Company common stock if Max's earnings before interest and taxes for the twelve months ending August 1, 2009 shall equal or exceed \$375,000. Max was acquired pursuant to a Membership Interest Purchase Agreement among the Company and the former Max members, dated and effective as of August 2, 2007. In connection with the acquisition, Max entered into employment agreements with the former members, each for a period of two years. The acquisition of Max expands the Company's geographic expansion into Texas and provides additional engineering services that specialize in the design of specialty communication systems and wireless infrastructure for the telecommunications, oil, gas and wind energy markets.

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

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$ 105,926
Accounts receivable	256,829
Costs in excess of billings	4,500
Fixed assets	21,890
Other assets	1,950
Customer lists	216,000
Goodwill	304,407
	<u>911,502</u>
Liabilities assumed:	
Accrued expenses	(59,186)
Payroll and other payable	(19,318)
Accrued tax payable	(2,500)
	<u>(81,004)</u>
Purchase price	<u>\$ 830,498</u>

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Empire

On November 1, 2007, the Company acquired Empire. The aggregate consideration paid by the Company, including acquisition transaction costs of \$40,154, was \$2,511,154 in cash, subject to adjustment. Empire was acquired pursuant to a Stock Purchase Agreement among the Company and the former shareholders of Empire, dated as of November 1, 2007. In connection with the acquisition, Empire entered into employment agreements with the former shareholders for a period of two years. The acquisition of Empire expands the Company's geographic presence in California and provides additional electrical contractor services that specialize in low voltage applications for healthcare, state government and military customers.

Based on the preliminary information currently available, the preliminary allocation has been made resulting in goodwill and other intangible assets of approximately \$2,242,000. Upon completion of a final purchase price allocation, there may be an increase or decrease in the amount assigned to goodwill and a corresponding increase or decrease in tangible or other intangible assets.

The purchase price allocation has been determined as follows:

Assets purchased:

Cash	\$	83,155
Accounts receivable		2,321,784
Inventory		197,961
Prepaid expenses		6,569
Prepaid income tax		69,142
Costs in excess of billings		72,518
Fixed assets		284,451
Backlog		344,900
Customer lists		100,000
Goodwill		1,796,709
		5,277,189

Liabilities assumed:

Accounts payable		(1,113,789)
Accrued expenses		(53,871)
Payroll and other payable		(327,112)
Billings in excess of costs		(420,874)
Line of credit		(400,000)
Deferred tax liability		(235,000)
Notes payable		(47,024)
Shareholder loan		(168,365)
		(2,766,035)
Purchase price	\$	2,511,154

James

On November 30, 2007, the Company acquired James. Through April 30, 2008, the aggregate consideration paid by the Company, including acquisition transaction costs of \$74,151, was \$1,154,151 in cash. In May 2008, the Company settled and paid aggregate additional cash consideration of \$281,725 to the former James shareholders for final settlement of the net tangible asset adjustment. James was acquired pursuant to a Share Purchase Agreement among the Company and the former shareholders of James, dated as of November 30, 2007. In connection with the acquisition, the Company entered into an employment agreement with the former president for a period of two years. James is a design engineering services company specializing in building automation including mechanical, electrical, hydraulic, fire protection, lift, security access and wireless systems. The acquisition of James provides the Company international expansion into Australia consistent with our emphasis on Australia, China and surrounding Pacific Rim countries.

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Based on the preliminary information currently available, the preliminary allocation has been made resulting in goodwill and other intangible assets of approximately \$818,000. Upon completion of a final purchase price allocation, there may be an increase or decrease in the amount assigned to goodwill and a corresponding increase or decrease in tangible or other intangible assets.

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$ 231,386
Accounts receivable	312,135
Prepaid expenses	6,450
Deferred tax assets, net	17,431
Costs in excess of billings	26,272
Fixed assets	115,343
Other assets	830
Customer lists	270,748
Backlog	112,369
Goodwill	434,835
	<u>1,527,799</u>
Liabilities assumed:	
Accounts payable	(26,288)
Accrued expenses	(74,510)
Payroll and other payable	(9,409)
Loan payable	(6,099)
Sales and use tax payable	(40,516)
Income tax payable	(216,826)
	<u>(373,648)</u>
Purchase price	<u>\$ 1,154,151</u>

Energize

On April 4, 2008, the Company acquired Energize. The aggregate consideration paid by the Company, including acquisition transaction costs of \$84,175, was \$1,627,297 in cash, subject to adjustment. Energize was acquired pursuant to a Share Purchase Agreement among the Company and the former shareholders of Energize, dated as of April 4, 2008. In connection with the acquisition, the Company entered into an employment agreement with the former president for a period of two years. Energize is an electrical contractor specializing in underground utilities, maintenance and low voltage applications including voice, data and video for commercial and building infrastructure companies, and is expanding its wireless deployment capabilities. The acquisition of Energize provides further international expansion into Australia.

Based on the preliminary information currently available, the preliminary allocation has been made resulting in goodwill and other intangible assets of approximately \$1,471,000. Upon completion of a final purchase price allocation, there may be an increase or decrease in the amount assigned to goodwill and a corresponding increase or decrease in tangible or other intangible assets.

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The preliminary purchase price allocation has been determined as follows:

Assets purchased:	
Cash	\$ 21,429
Accounts receivable	189,197
Inventory	55,084
Costs in excess of billings	415
Fixed assets	106,165
Deferred tax assets, net	2,108
Customer lists	509,740
Goodwill	961,201
	<u>1,845,339</u>
Liabilities assumed:	
Accounts payable	(69,562)
Accrued expenses	(7,444)
Payroll and other payable	(37,175)
Sales and use tax payable	(12,449)
Income tax payable	(91,412)
	<u>(218,042)</u>
Purchase price	<u>\$ 1,627,297</u>

Pro forma Information

The following unaudited pro forma financial information presents the combined results of operations of the Company, NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James and Energize for the years ended April 30, 2008 and 2007 as if the acquisitions had occurred at May 1, 2006, including the issuance of the Company's common stock as consideration for the acquisitions of SECS, Voacolo, TAGS and Major. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, NECS, SECS, Voacolo, TAGS, Major, Max, Empire, James and Energize been a single entity during these periods.

	<u>Consolidated Pro Forma</u>	
	<u>2008</u>	<u>2007</u>
Revenue	\$ 113,258,244	\$ 109,469,778
Net income	5,088,484	7,531,363
Basic weighted common shares	7,248,390	6,232,650
Diluted weighted common shares	7,998,453	6,869,636
Basic net income per common share	\$ 0.70	\$ 1.21
Diluted net income per common share	\$ 0.64	\$ 1.10

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

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

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	2008	2007
Costs incurred on uncompleted contracts	\$ 66,331,553	\$ 39,431,006
Estimated contract profit	20,900,509	12,513,277
	<u>87,232,062</u>	<u>51,944,283</u>
Less: billings to date	86,947,332	51,717,031
Net excess of costs	<u>\$ 284,730</u>	<u>\$ 227,252</u>
Costs and estimated earnings in excess of billings	\$ 3,887,152	\$ 2,499,940
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,602,422)	(2,272,688)
Net excess of costs	<u>\$ 284,730</u>	<u>\$ 227,252</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2008	2007
Furniture and fixtures	5-7	\$ 249,426	\$ 222,963
Computers and software	2-3	938,370	722,072
Office equipment	5-7	157,092	92,337
Vehicles	5-7	3,335,752	1,903,142
Machinery and equipment	5	5,212,807	4,231,918
Leasehold improvements	2-3	354,626	436,477
		<u>10,248,073</u>	<u>7,608,909</u>
Less accumulated depreciation and amortization expense		3,419,911	2,119,989
		<u>\$ 6,828,162</u>	<u>\$ 5,488,920</u>

Depreciation expense for property and equipment for the years ended April 30, 2008 and 2007 was approximately \$1,539,000 and \$776,000, respectively.

NOTE 6 – LONG-TERM DEBT

Lines of Credit

On April 10, 2007, the Company entered into a loan agreement with Bank of America, N.A. (BOA). The loan agreement (Loan Agreement) provides for a revolving line of credit in an amount not to exceed \$12,000,000, together with a letter of credit facility not to exceed \$2,000,000. The Company and its subsidiaries also entered into security agreements with BOA, pursuant to which the Company granted a security interest to BOA in all of our assets. The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth, and (ii) minimum interest coverage ratio. The loan commitment shall expire on April 10, 2010, and the Company may repay the loan at any time.

Loans under the Loan Agreement bear interest at a rate equal to BOA's prime rate, minus one percentage point, or the Company has the option to elect to use the optional interest rate of LIBOR plus one hundred seventy-five basis points. As of April 30, 2008, interest rates ranged from 4.00% to 4.82% on outstanding borrowings of approximately \$4,376,000 under the Loan Agreement.

In connection with the acquisition of Empire, the Company assumed a revolving line of credit facility with a commercial bank with a balance of \$400,000 at the closing date. As of April 30, 2008, the outstanding balance was \$750,000 and bore interest at 9.25%. The outstanding balance of \$750,000 was repaid by the Company in July 2008.

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Loans Payable

The Company's long-term debt also consists of notes issued to the Company or assumed in acquisitions related to working capital funding and the purchase of property and equipment in the ordinary course of business. At April 30, 2008, loans payable and capital lease obligations totaled \$1,736,361 with interest rates ranging from 0% to 12.67%.

Due to Shareholders

As of April 30, 2008 and 2007, TAGS had outstanding loans due to a related party, Taian Gas Group, totaling \$1,941,718 and \$717,190, respectively, of which \$1,431,230 matures on June 5, 2008, and bears interest at 7.524%.

As of April 30, 2008, Empire had outstanding loans due to the former Empire shareholder totaling \$358,365, which bore interest at a rate of 5%. The loans were repaid in May 2008.

The aggregate maturities of long-term debt, including loans payable, capital lease obligations, due to shareholders and lines of credit are as follows:

Year ending April 30,

	Loans Payable	Capital Leases	Due to Shareholders	Lines of Credit
2009	\$ 1,272,112	\$ 91,491	\$ 2,300,083	\$ 750,000
2010	85,354	89,240	-	4,376,056
2011	42,127	70,324	-	-
2012	19,977	44,235	-	-
2013	9,520	11,981	-	-
Total long-term debt	<u>\$ 1,429,090</u>	<u>\$ 307,271</u>	<u>\$ 2,300,083</u>	<u>\$ 5,126,056</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which, a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the years ended April 30, 2008 and 2007, the rent paid for this lease was \$90,943 and \$88,000, respectively.

In connection with the acquisition of Clayborn, the Company was obligated to pay an additional \$1,100,000 in quarterly distributions to the former Clayborn shareholders by December 31, 2007. For the year ended April 30, 2008, payments of \$707,000 were made to the former Clayborn shareholders. \$189,000 was paid in fiscal 2007, and the remaining \$204,000 was paid in fiscal 2006.

In connection with the acquisition of SECS in fiscal 2007, the Company leases its Sarasota, Florida location from a trust, of which one of the former shareholders of SECS is the trustee. For the years ended April 30, 2008 and 2007, the rent paid for this lease was \$52,516 and \$40,315, respectively.

In connection with the acquisition of Voacolo in fiscal 2007, the Company leases its Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo, are the members. For the years ended April 30, 2008 and 2007, the rent paid for this lease was \$54,500 and \$4,500, respectively.

In connection with the acquisition of TAGS in fiscal 2007, the Company's joint venture partner provided the office building for TAGS rent free during fiscal year 2008. The Company expects to enter into a lease with the joint venture partner in fiscal 2009.

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NOTE 8 - RETIREMENT PLANS

The Company and its subsidiaries participate in employee savings plans under Section 401(k) of the Internal Revenue Code pursuant to which eligible employees may elect to defer a portion of their annual salary by contributing to the plan. There were approximately \$15,000 and \$241,000 in contributions made for the years ended April 30, 2008 and 2007, respectively.

The Company also contributes to multi-employer pension plans which provide benefits to union employees covered by a collective bargaining agreement. The Company incurred total costs under such agreements of approximately \$1,798,000 and \$1,729,000 for the years ended April 30, 2008 and 2007, respectively.

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 9 - INCOME TAXES

The provision for income taxes for the years ended at April 30, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Current		
Federal	\$ 1,846,000	\$ 2,201,000
State	649,717	784,818
Foreign	98,207	-
Deferred		
Federal	126,832	147,000
State	(101,000)	14,000
Foreign	(42,408)	-
Totals	<u>\$ 2,577,348</u>	<u>\$ 3,146,818</u>

The actual provision for income taxes reflected in the consolidated statements of income for the years ended April 30, 2008 and 2007 differs from the provision (benefit) computed at the Federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes are summarized as follows:

	<u>2008</u>	<u>2007</u>
Expected tax provision at statutory rate (34%)	\$ 2,262,936	\$ 2,631,742
State and local taxes, net of federal tax benefit	428,813	527,675
Foreign income taxes	55,799	30,117
Section 199 permanent difference	(85,000)	(51,000)
Other	(85,200)	8,284
Totals	<u>\$ 2,577,348</u>	<u>\$ 3,146,818</u>

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

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Allowance for doubtful accounts	\$ 27,000	\$ 27,000
Net operating loss carryforward	122,000	16,000
Federal benefit of deferred state tax liabilities	15,000	11,000
Foreign deferred tax benefits	84,731	-
Deferred tax assets-current	<u>248,731</u>	<u>54,000</u>
Customer lists	143,000	111,000
Net operating loss carryforward	126,000	154,000
Valuation allowance	(126,000)	(154,000)
Federal benefit of deferred state tax liabilities	77,000	-
Deferred tax assets-long term	<u>220,000</u>	<u>111,000</u>

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Deferred tax liabilities:

Inventory	(14,000)	(14,000)
Federal benefit of deferred state tax liabilities	(53,000)	(13,000)
Foreign currency translation	(145,792)	-
Deferred tax liabilities-current	<u>(212,792)</u>	<u>(27,000)</u>
Fixed assets	(210,000)	(107,000)
Backlog	(139,000)	-
Customer lists	(110,000)	(90,000)
Goodwill	(912,000)	(525,000)
Foreign deferred tax liabilities	(22,786)	-
Deferred tax liabilities-long term	<u>(1,393,786)</u>	<u>(722,000)</u>
Net deferred tax liabilities	<u>\$ (1,137,847)</u>	<u>\$ (584,000)</u>

At April 30, 2008, the Company has net operating loss carryforwards for state tax purposes approximating \$3.0 million expiring through 2023. Due to the uncertainty of recognizing a tax benefit on these losses in certain states, the Company has provided a valuation allowance of approximately \$1.4 million against the deferred tax asset related to these loss carryforwards.

Undistributed earnings of the Company's foreign subsidiaries were \$41,000 and \$0 for the years ended April 30, 2008 and 2007, respectively. These earnings, which reflect full provision for foreign income taxes, are considered to be indefinitely reinvested in foreign operations or will be reinvested substantially free of additional tax. Accordingly, no provision for Federal income taxes has been provided thereon. Upon repatriation of these earnings, in the form of dividends or otherwise, the Company will be subject to both Federal income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of the unrecognized deferred income tax liability versus current income tax payable is not practicable due to the complexities associated with its hypothetical calculation. However, unrecognized foreign tax credit carryforwards would become available to reduce some portion of the Federal liability.

Deferred taxes have not been provided on the excess book basis in the shares of the Company's foreign subsidiaries because these basis differences are not expected to reverse in the foreseeable future. These basis differences could reverse through a sale of the subsidiaries, the receipt of dividends from the subsidiaries, as well as various other events. It is not practical to calculate the residual income taxes that would result if these basis differences reversed due to the complexities of the income tax law and the hypothetical nature of these calculations.

NOTE 10 - STOCK OPTION PLANS

In September 2006, the Company adopted the 2007 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2007 Incentive Stock Plan, 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. At April 30, 2008, options to purchase 80,000 shares were outstanding at an exercise price of \$6.33. At April 30, 2008, there were 320,000 options available for grant under the 2007 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, 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. These shares were registered under Form S-8. Under the terms of the 2006 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2008, options to purchase 327,726 shares were outstanding at exercise prices ranging from \$6.14 to \$12.10. At April 30, 2008, there were 698 options available for grant under the 2006 Incentive Stock Plan.

In March 2003, the Company established a stock option plan pursuant to which options to acquire a maximum of 416,667 shares of the Company's common stock were reserved for grant (the "2002 Plan"). These shares were registered under Form S-8. Under the terms of the 2002 Plan, the options are exercisable at prices equal to the fair market value of the stock at the date of the grant and become exercisable in accordance with terms established at the time of the grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2008, options to purchase 238,092 shares were outstanding at exercise prices ranging from \$4.80 to \$14.40. At April 30, 2008, there were 36,058 shares available for grant under the 2002 Plan.

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The following is a summary of information with respect to stock options granted under the 2002 Plan, 2006 Incentive Stock Plan and 2007 Incentive Stock Plan at April 30, 2008 and April 30, 2007:

Options Outstanding at April 30, 2008				Options Exercisable at April 30, 2008		
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price	
\$ 4.80 - 5.52	37,217	1.72	\$ 5.12	37,217	\$ 5.12	
\$ 6.10 - 9.00	533,345	2.62	\$ 6.45	432,220	\$ 6.44	
\$ 10.92 - 14.40	75,256	1.09	\$ 11.98	60,456	\$ 12.11	
Total	<u>645,818</u>	<u>2.39</u>	<u>\$ 7.02</u>	<u>529,893</u>	<u>\$ 7.00</u>	

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

The following table summarizes stock option activity for the year ended April 30, 2008, during which there were 9,831 options exercised under the Company's stock option plans:

	2002 Plan			Aggregate Intrinsic Value
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	
Outstanding, May 1, 2007	233,575	\$ 8.43		
Granted	19,700	\$ 8.49		
Exercised	(4,498)	\$ 5.76		
Forfeited/Expired	<u>(10,685)</u>	<u>\$ 14.64</u>		
Outstanding, April 30, 2008	<u>238,092</u>	<u>\$ 8.21</u>	<u>1.4</u>	<u>\$ 44,726</u>
Vested and expected to vested, April 30, 2008	234,213	\$ 8.21	1.3	\$ 44,726
Exercisable, April 30, 2008	<u>215,660</u>	<u>\$ 8.20</u>	<u>1.1</u>	<u>\$ 44,726</u>

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2006 Incentive Stock Plan				
	Number of Shares	Weighted- average Exercise Price	Weighted- average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2007	327,259	\$ 6.22		
Granted	7,000	\$ 11.28		
Exercised	(5,333)	\$ 6.65		
Forfeited/Expired	(1,200)	\$ 7.23		
Outstanding, April 30, 2008	<u>327,726</u>	<u>\$ 6.32</u>	<u>2.5</u>	<u>\$ 52,574</u>
Vested and expected to vested, April 30, 2008	326,032	\$ 6.29	2.5	\$ 52,574
Exercisable, April 30, 2008	<u>314,233</u>	<u>\$ 6.17</u>	<u>2.5</u>	<u>\$ 52,574</u>

2007 Incentive Stock Plan				
	Number of Shares	Weighted- average Exercise Price	Weighted- average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2007	-	\$ 0.00		
Granted	80,000	\$ 6.33		
Exercised	-	\$ 0.00		
Forfeited/Expired	-	\$ 0.00		
Outstanding, April 30, 2008	<u>80,000</u>	<u>\$ 6.33</u>	<u>4.8</u>	<u>\$ 0</u>
Vested and expected to vested, April 30, 2008	62,460	\$ 6.33	4.8	\$ 0
Exercisable, April 30, 2008	<u>-</u>	<u>\$ 0.00</u>	<u>0.0</u>	<u>\$ 0</u>

NOTE 11 - SHAREHOLDERS' EQUITY

Common Stock Issuance

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

The Common Stock was issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, the Company agreed to cause a resale registration statement covering the Common Stock to be filed no later than 30 days after the closing and declared effective no later than 120 days after the closing. If the Company failed to comply with the registration statement filing or effective date requirements, it would have been required to pay the investors a fee equal to 2% of the aggregate amount invested by the purchasers per each 30 day period of delay, not to exceed 10%. The Company accounts for such penalties as contingent liabilities, applying the accounting guidance of SFAS No. 5, "Accounting for Contingencies" ("SFAS 5"). This accounting is consistent with views established by the Emerging Issues Task Force in its consensus set forth in EITF 05-04 and FASB Staff Positions FSP EITF 00-19-2 "Accounting for Registration Payment Arrangements", which was issued December 21, 2006. Accordingly, the Company recognizes damages when it becomes probable that they will be incurred and amounts are reasonably estimable. The Company filed a resale registration statement on February 9, 2007 covering the Common Stock, which was declared effective by the SEC on March 2, 2007, which was within the agreed upon timeframe under the terms of sale.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock Purchase Warrants

The Company sold an aggregate of 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants on November 16, 2004, as discussed above. Each of these warrants is exercisable for a period of five years and was original issued at an exercise price of \$8.40 per share. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by the Company, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. As a result of the issuance of common stock at \$6.99 per share to the selling shareholders of SECS, discussed above, the exercise price of 1,592,781 common stock purchase warrants were adjusted to \$6.99 per share, and 320,741 additional warrants were issued under the "make-whole" provisions of the warrant agreement. The warrants are callable by the Company, upon 30 days notice, should the common stock trade at or above \$25.20 per share for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

The following table summarizes the activity of the common stock purchase warrants for the years ended April 30, 2008 and 2007:

	Number of Shares	Weighted Average Exercise Price
Outstanding, May 1, 2006	2,017,454	8.62
Granted	320,741	6.99
Exercised	(30,281)	6.99
Expired	(424,118)	10.57
Outstanding, April 30, 2007 and 2008	<u>1,883,796</u>	<u>\$ 6.99</u>

NOTE 12 - SEGMENT REPORTING

The Company's reportable segments are determined and reviewed by management based upon the nature of the services, the external customers and customer industries and the sales and distribution methods used to market the products. The Company has two reportable segments: wireless infrastructure services and specialty communication systems. Management evaluates performance based upon (loss) income before income taxes. Corporate includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other subsidiaries. Corporate assets primarily include cash and prepaid expenses. Segment results for the years ended April 30, 2008 and 2007 are as follows:

	As of and for year ended April 30, 2008			
	Corporate	Wireless Infrastructure	Specialty Communication	Total
Revenue	\$ -	\$ 11,819,386	\$ 89,611,742	\$ 101,431,128
Depreciation and amortization	\$ 36,186	\$ 254,896	\$ 2,107,521	\$ 2,398,603
Income (loss) before income taxes	\$ (2,345,430)	\$ 131,241	\$ 8,869,884	\$ 6,655,695
Goodwill	\$ -	\$ 4,583,701	\$ 24,403,800	\$ 28,987,501
Total assets	\$ 5,457,038	\$ 9,098,515	\$ 69,392,588	\$ 83,948,141

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	As of and for year ended April 30, 2007			
	<u>Corporate</u>	<u>Wireless Infrastructure</u>	<u>Specialty Communication</u>	<u>Total</u>
Revenue	\$ -	\$ 13,250,499	\$ 56,749,571	\$ 70,000,070
Depreciation and amortization	\$ 57,368	\$ 259,097	\$ 923,021	\$ 1,239,486
Income (loss) before income taxes	\$ (1,851,995)	\$ 976,769	\$ 8,615,645	\$ 7,740,419
Goodwill	\$ -	\$ 4,319,069	\$ 16,150,539	\$ 20,469,608
Total assets	\$ 10,281,087	\$ 10,878,557	\$ 50,394,026	\$ 71,553,670

As of and for years ended April 30, 2008 and 2007, the specialty communication systems segment includes approximately \$1,740,000 and \$300,000 in revenue and \$1,748,000 and \$1,737,000 of net assets held in China related to the Company's 60% interest in TAGS, respectively. As of and for the year ended April 30, 2008, the specialty communication systems segment includes approximately \$813,000 in revenue and \$2,824,000 of net assets held in Australia related to the Company's 100% ownership in James and Energize.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment contracts ranging from one to three years with certain of its employees. The aggregate base salary commitments under these contracts at April 30, 2008 are approximately \$6,100,000.

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is currently not aware of any such legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse affect on our business, consolidated financial condition or operating results.

Lease Commitments

The Company leases its office facilities pursuant to noncancelable operating leases expiring through April 2014. The Company also has noncancelable vehicle leases. The minimum rental commitments under these noncancelable leases at April 30, 2008 are summarized as follows:

Year ending April 30,	
2009	\$ 1,139,742
2010	815,194
2011	544,347
2012	180,053
2013	105,585
Thereafter	100,715
Total minimum lease payments	<u>\$ 2,885,636</u>

Rent expense for all operating leases was approximately \$786,000 and \$559,000 in 2008 and 2007, respectively.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – SUBSEQUENT EVENTS

On June 26, 2008, the Company acquired all of the assets of Lincoln Wind LLC (Lincoln Wind) for aggregate consideration of \$400,000 in cash. The assets of Lincoln Wind were acquired pursuant to an Asset Purchase Agreement among Max, the Company, Lincoln Wind and the former member. In connection with the acquisition, Max also entered into an employment agreement with the former member for two years. Lincoln Wind is an engineering company focused on the implementation of meteorological towers that measure the wind capacity of geographic areas prior to the construction of a wind farm. The acquisition of Lincoln Wind provides the Company additional engineering services that specialize in the design of specialty communication systems for the wind energy market.

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

None

ITEM 9A(T) – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission 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. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of April 30, 2008, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our periodic reports is recorded, processed, summarized and reported, within the time periods specified for each report and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management has conducted, with the participation of our Chief Executive Officer and our Chief Financial Officer, an assessment, including testing of the effectiveness of our internal control over financial reporting as of April 30, 2008. Management's assessment of internal control over financial reporting was based on the framework in *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, Management concluded that our system of internal control over financial reporting was effective as of April 30, 2008.

The effectiveness of our internal control over financial reporting as of April 30, 2008 has not been audited by J.H. Cohn, LLP, an independent registered public accounting firm. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

NAME	AGE	OFFICES HELD
Andrew Hidalgo	52	Chairman, Chief Executive Officer and Director
Joseph Heater	44	Chief Financial Officer
Donald Walker	45	Executive Vice President
James Heinz	48	Executive Vice President
Richard Schubiger	43	Executive Vice President
Charles Madenford	45	Executive Vice President
Steven James	61	Executive Vice President
Norm Dumbroff	47	Director
Neil Hebenton	52	Director
Gary Walker	53	President of Walker Comm, Inc. and Director
William Whitehead	52	Director

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

Andrew Hidalgo, Chairman, Chief Executive Officer and Director

Mr. Hidalgo has been our Chairman of the Board and Chief Executive Officer since our inception in November 2001 and served in the same capacity with the predecessor company WPCS Holdings, Inc. since September 2000. He is responsible for our operations and direction. Prior to that, Mr. Hidalgo held various positions in operations, sales and marketing with Applied Digital Solutions, the 3M Company, Schlumberger and General Electric. He attended Fairfield University in Fairfield, Connecticut.

Joseph Heater, Chief Financial Officer

Mr. Heater has been Chief Financial Officer since July 2003. From November 2001 to June 2003, Mr. Heater was the Controller for Locus Pharmaceuticals, Inc., a development stage pharmaceutical company. Prior to that, from April 1999 to September 2001, Mr. Heater was Director of Finance and Corporate Controller for esavio Corporation, an information technology consulting company providing application development, network design, integration, and managed services. Prior to that, from March 1995 to November 1998, Mr. Heater was Director of Financial Planning and Assistant Corporate Controller for Airgas, Inc. Mr. Heater holds a B.S. from the University of Nebraska and a M.B.A. from Villanova University.

Donald Walker, Executive Vice President

Mr. Walker has been Executive Vice President since December 2002. Mr. Walker was the founder of Walker Comm, Inc. and its Chief Executive Officer from November 1996 until its acquisition by WPCS in December 2002. He has over twenty-one years of project management experience and is a Registered Communications Distribution Designer (RCDD). In addition, Mr. Walker is a committee member with the National Electrical Contractors Association (NECA). Mr. Walker began his project engineer career at General Dynamics where he developed his engineering skills while managing large projects and coordinating technical staff.

James Heinz, Executive Vice President

Mr. Heinz has been Executive Vice President since April 2004. Mr. Heinz was the founder of Heinz Corporation and its President since January 1994 until its acquisition by WPCS in April 2004. Mr. Heinz has over twenty years of project engineering experience in civil and commercial engineering projects with over ten years specifically dedicated to wireless infrastructure services. Mr. Heinz is the Chairman of the Construction Advisory Board for Southern Illinois University and a general advisory member of the School of Engineering. He holds a B.S. degree in construction management from Southern Illinois University.

Richard Schubiger, Executive Vice President

Mr. Schubiger has been Executive Vice President since November 2004. Mr. Schubiger was a co-founder of Quality Communications and its President since December 1995 until its acquisition by WPCS in November 2004. Mr. Schubiger has over twenty years of experience in the wireless communications industry and has been involved with all facets including sales, service, design and project management. Prior to establishing Quality Communications, Mr. Schubiger worked for Motorola, Inc., designing and supporting major wireless systems for commercial and government users. Mr. Schubiger had a distinguished career in the United States Marine Corps where he served as a wireless engineering specialist involved with deployments throughout North America, Asia and Europe.

Charles Madenford, Executive Vice President

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

Steven James, Executive Vice President

Mr. James has been Executive Vice President since December 2007. Mr. James was the founder of James Design Pty Ltd and its President since June 1998 until its acquisition by WPCS in December 2007. Mr. James has over thirty years of consulting and contracting experience in the areas of design and project management for mechanical ventilation and air conditioning systems. Prior to establishing James Design, Mr. James was Mechanical Director for Hyder Consulting from February 1995 to May 1998. Prior to that, from June 1985 to January 1995, Mr. James was a partner with George Floth Pty Ltd Consulting Engineers. Mr. James holds a certificate in aeronautical engineering from the Auckland Technical Institute of New Zealand.

Norm Dumbroff, Director

Mr. Dumbroff became a Director of WPCS in November 2002. Since April 1990, he has been the Chief Executive Officer of Wav Incorporated, a distributor of wireless products in North America. Prior to Wav Incorporated, Mr. Dumbroff was an engineer for Hughes Aircraft. He holds a B.S. degree in Computer Science from Albright College.

Neil Hebenton, Director

Mr. Hebenton became a director of WPCS in October 2002. Since February 2002, he has been Senior Director, Business Development, for Perceptive Informatics, Inc. (a subsidiary of PAREXEL International Corp.), a company offering clinical trial data management software applications to pharmaceutical and biotechnology companies. From January 1998 to January 2002, he was the Managing Director for the U.K. based FW Pharma Systems, a multi-million dollar application software company serving the pharmaceutical and biotechnology sectors. Prior to that, Mr. Hebenton has held a variety of operational, scientific and marketing positions in Europe with Bull Information Systems (BULP-Paris, Frankfurt, Zurich) and Phillips Information Systems. He received his B.S. in Mathematics from the University of Edinburgh, Scotland.

Gary Walker, President of Walker Comm, Inc. and Director

Mr. Walker became a director of WPCS in December 2002. He is currently the president of the Walker Comm subsidiary, a position he has held since November 1996. Prior to his involvement at Walker Comm, Mr. Walker had a distinguished career with the U.S. Navy and also held an elected political position in Fairfield, California. He holds a B.A. in Business Management from St. Mary's College in Moraga, California.

William Whitehead, Director

Mr. Whitehead became a director of WPCS in October 2002. Since October 1998, he has been the Chief Financial Officer for Neutronics Incorporated, a multi-million dollar process and safety systems manufacturer. Mr. Whitehead has held a variety of financial management positions with Deloitte & Touche and was Division Controller for Graphic Packaging Corporation from April 1990 to March 1998. After attending West Point, Mr. Whitehead received a B.S. in Accounting from the Wharton School at the University of Pennsylvania and received his M.B.A. from the Kellogg Graduate School at Northwestern University.

The following is a summary of the committees on which our directors serve.

Audit Committee

Our Audit Committee currently consists of William Whitehead, Norm Dumbroff and Neil Heberton, with Mr. Whitehead elected as Chairman of the Committee. Our Board of Directors has determined that each of Messrs. Whitehead, Dumbroff and Heberton are “independent” as that term is defined under applicable SEC rules and under the current listing standards of the NASDAQ Stock Market. Mr. Whitehead is our audit committee financial expert.

Our Audit Committee’s responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditor, (iii) pre-approving the professional services provided by the independent auditor, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditor, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditor. Our Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

Executive Committee

Our Executive Committee currently consists of Norm Dumbroff, Neil Heberton and William Whitehead, with Mr. Dumbroff elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market. Our Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Executive Committee.

Our Executive Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of our executive officers and directors, assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy, producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC, periodically evaluating the terms and administration of our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

Nominating Committee

Our Nominating Committee currently consists of Neil Heberton, Norm Dumbroff and William Whitehead, with Mr. Heberton elected as Chairman of the Committee. The Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market.

Our Nominating Committee has responsibility for assisting the Board in, among other things, effecting the organization, membership and function of the Board and its committees. The Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities. We believe that, during fiscal 2008, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

Code of Ethics

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

ITEM 11 - EXECUTIVE COMPENSATION

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

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

Submitted by the Executive Committee

Norm Dumbroff, Chairman

Neil Heberton

William Whitehead

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

The following discussion and analysis of compensation arrangements of our named executive officers for the fiscal year ended April 30, 2008 should be read together with the compensation tables and related disclosures set forth below.

Compensation Philosophy and Objectives

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

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

Executive Equity Ownership

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

Performance-Based Compensation and Financial Restatement

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

Tax and Accounting Considerations

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

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

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

Contract with Andrew Hidalgo

On February 1, 2005, we entered into a three-year employment contract with Andrew Hidalgo, our Chairman and Chief Executive Officer. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement was \$250,000 per annum through April 30, 2008. Effective June 1, 2008, the base salary under the agreement was amended to \$325,000 per annum. In addition, Mr. Hidalgo is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Contract with Joseph Heater

On June 1, 2005, we entered into a three-year employment contract with Joseph Heater, our Chief Financial Officer. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is \$195,000 per annum through April 30, 2008. Effective June 1, 2008, the base salary under the agreement was amended to \$250,000. In addition, Mr. Heater is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Contract with Donald Walker

On February 1, 2007, we entered into a three-year employment contract with Mr. Walker with a base salary of \$160,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. In addition, Mr. Walker is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Walker is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Walker for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Walker is also entitled to receive an annual bonus of 3.0% of operating income before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Gary Walker

On February 1, 2007, we entered into a three-year employment contract with Mr. Walker with a base salary of \$150,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. In addition, Mr. Walker is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Walker is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Walker for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Walker is also entitled to receive an annual bonus of 3.0% of the operating income of Walker Comm, prior to the deduction of interest and income taxes.

Contract with James Heinz

On April 1, 2007, we entered into a three-year employment contract with Mr. Heinz with a base salary of \$160,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. In addition, Mr. Heinz is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Heinz is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Heinz for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Heinz is also entitled to receive an annual bonus of 3.0% of operating income, before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Richard Schubiger

On June 1, 2008, we entered into a three-year employment contract with Mr. Schubiger with a base salary of \$225,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. In addition, Mr. Schubiger is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time., Mr. Schubiger is entitled to receive an annual bonus of 3.0% of operating income before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Charles Madenford

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

Contract with Steven James

Effective December 1, 2007, we entered into an employment contract with Mr. James with a base salary of \$130,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another two years from the anniversary date. In addition, Mr. James is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. James is also entitled to an auto allowance of \$1,000 Australian dollars per month. Mr. James is also entitled to receive an annual bonus of 3.0% of operating income, before the deduction of interest and income taxes of designated subsidiaries assigned by us.

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

The following table sets forth in summary form the compensation received during the fiscal years ended April 30, 2008 and 2007 by the Company's Chief Executive Officer and each of the Company's five other most highly compensated executive officers based on salary and bonus earned during the 2008 and 2007 fiscal years.

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, Chief Financial Officer and four other highest paid executive officers whose total annual salary and bonus exceeded \$100,000 (collectively, the “named executive officers”) for fiscal years 2008 and 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$) (7)	All Other Compensation (\$)	(8)	Total (\$)
Andrew Hidalgo	2008	250,000	70,000	1,087	9,466	(8)	330,553
Chairman, Chief Executive Officer and Director (1)	2007	168,000	60,000	-	10,800	(8)	238,800
Joseph Heater	2008	195,000	50,000	652	-		245,652
Chief Financial Officer (2)	2007	140,000	40,000	-	-		180,000
Donald Walker	2008	160,000	64,671	217	-		224,888
Executive Vice President (3)	2007	145,000	141,524	-	13,200	(9)	299,724
Gary Walker	2008	150,000	68,067	217	-		218,284
President- Walker and Director (4)	2007	142,500	141,524	-	12,190	(9)	296,214
Richard Schubiger	2008	195,000	120,428	217	-		315,645
Executive Vice President (5)	2007	140,000	107,829	-	-		247,829
James Heinz	2008	160,000	50,623	217	-		210,840
Executive Vice President (6)	2007	141,667	33,577	-	-		175,244

(1) Mr. Hidalgo has served as Chairman, Chief Executive Officer and Director since May 24, 2002.

(2) Mr. Heater has served as Chief Financial Officer since July 15, 2003.

(3) Mr. Walker has served as Executive Vice President since December 30, 2002.

(4) Mr. Walker has served as President of Walker Comm and as a Director since December 30, 2002.

(5) Mr. Schubiger has served as Executive Vice President since November 24, 2004.

(6) Mr. Heinz has served as Executive Vice President since April 2, 2004.

(7) Represents the dollar amount of compensation expense recognized in fiscal 2008 for financial reporting purposes related to stock option awards granted in fiscal 2008 under SFAS 123R, as discussed in Note 2, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

(8) Represents lease payments for use of company-leased vehicle.

(9) Represents 401(k) matching contributions.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth information regarding the number of stock options granted to named executive officers during fiscal 2008.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
Andrew Hidalgo	3/4/08	25,000	6.33	66,820
Joseph Heater	3/4/08	15,000	6.33	40,092
James Heinz	3/4/08	5,000	6.33	13,364
Richard Schubiger	3/4/08	5,000	6.33	13,364
Donald Walker	3/4/08	5,000	6.33	13,364
Gary Walker	3/4/08	5,000	6.33	13,364

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, 2008.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$/Sh)	Option Expiration Date
Andrew Hidalgo	73,046	-	\$ 6.60	10/6/2009
	126,690	-	\$ 6.14	10/13/2010
	-	25,000	\$ 6.33	3/14/2013
Joseph Heater	20,834	-	\$ 9.00	6/12/2008
	12,500	-	\$ 12.84	8/6/2008
	7,500	-	\$ 6.60	10/6/2009
	63,345	-	\$ 6.14	10/13/2010
	-	15,000	\$ 6.33	3/14/2013
James Heinz	10,000	-	\$ 5.25	2/1/2010
	38,007	-	\$ 6.14	10/13/2010
	-	5,000	\$ 6.33	3/14/2013
Richard Schubiger	10,000	-	\$ 5.25	2/1/2010
	38,007	-	\$ 6.14	10/13/2010
	-	5,000	\$ 6.33	3/14/2013
Donald Walker	-	5,000	\$ 6.33	3/14/2013
Gary Walker	-	5,000	\$ 6.33	3/14/2013

Director Compensation

The following table sets forth summary information concerning the total compensation paid to our non-employee directors in 2008 for services to our company.

Name	Fees Earned or Paid in Cash	Option Awards (\$) (*)	Total (\$)
Norm Dumbroff (1)	5,000	4,088	9,088
Neil Hebenton (2)	5,000	4,088	9,088
William Whitehead (3)	7,500	4,088	11,588
Total:	<u>17,500</u>	<u>12,264</u>	<u>29,764</u>

* Amounts represent the amount of compensation expense recognized in fiscal 2008 for awards granted in fiscal 2008 and 2007 under SFAS 123R, as discussed in Note 2, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

- (1) 28,988 options were outstanding as of April 30, 2008, of which 22,946 were exercisable as of April 30, 2008.
- (2) 16,904 options were outstanding as of April 30, 2008, of which 10,862 were exercisable as of April 30, 2008.
- (3) 28,988 options were outstanding as of April 30, 2008, of which 22,946 were exercisable as of April 30, 2008.

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

The following table sets forth certain information regarding beneficial ownership of our common stock as of July 17, 2008:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Name And Address Of Beneficial Owner (1)	Number of Shares Owned (2)		Percentage of Class (3)
Andrew Hidalgo	428,953	(4)	5.74%
Joseph Heater	98,345	(4)	1.34%
Donald Walker	5,000		-
James Heinz	112,531	(4)	1.54%
Richard Schubiger	53,007	(4)	*
Charles Madenford	9,084	(4)	*
Steven James	-		*
Norm Dumbroff	99,822	(4)	1.37%
Neil Heberton	16,904	(4)	*
Gary Walker	72,564		*
William Whitehead	37,188	(4)	*
All Officers and Directors as a Group (10 persons)	933,398	(4)	11.39%
Special Situations Private Equity Fund, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	1,148,652	(5)	14.5%
Special Situations Fund III QP, L.P. 527 Madison Avenue, Suite 2600 New York, NY 10022	1,546,610	(5)	19.20%
SF Capital Partners Ltd.. 3600 South Lake Dr St. Francis, WI 53235	500,360	(6)	6.67%

* Less than 1%.

- (1) The address for each of our officers and directors is One East Uwchlan Avenue, Exton, PA 19341.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 17, 2008 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.
- (3) Percentage based on 7,251,083 shares of common stock outstanding.
- (4) Includes the following number of shares of common stock which may be acquired by certain officers and directors through the exercise of stock options which were exercisable as of July 17, 2008 or become exercisable within 60 days of that date: Andrew Hidalgo, 199,736 shares; Joseph Heater, 83,345 shares; James Heinz, 48,007 shares; Richard Schubiger, 48,007 shares; Charles Madenford, 4,084 shares; Norm Dumbroff, 22,946 shares; Neil Heberton, 11,904 shares; William Whitehead, 22,946 shares; and all officers and directors as a group, 440,975 shares.
- (5) Includes the following number of shares of common stock which may be acquired through the exercise of common stock purchase warrants which were exercisable as of July 17, 2008 or become exercisable within 60 days of that date: Special Situations Private Equity Fund, L.P., 626,017 shares, and Special Situations Fund III QP, L.P., 805,791 shares, based on the information in the most recent Schedule 13D filed on January 10, 2008.
- (6) Includes the following number of shares of common stock which may be acquired through the exercise of common stock purchase warrants which were exercisable as of July 17, 2008 or become exercisable within 60 days of that date: 250,360 shares.

EQUITY COMPENSATION PLAN INFORMATION

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

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
Equity compensation plan approved by board of directors (1)	238,092	\$ 8.21	36,058
Equity compensation plan approved by security holders (2)	327,726	\$ 6.32	698
Equity compensation plan approved by security holders (3)	80,000	\$ 6.33	320,000
Total	645,818	\$ 7.02	356,756

- (1) We established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 shares of our common stock were reserved for grant (the "2002 Plan"). As of April 30, 2008, included above in the 2002 Plan are 208,925 shares issuable upon exercise of options granted to employees and directors, and 29,167 options granted to outside consultants for services rendered to our company.
- (2) We established the 2006 Incentive Stock Plan, under which 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2008, 327,726 shares were issuable upon exercise of options granted to employees and directors.
- (3) We established the 2007 Incentive Stock Plan, under which 400,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2008, 80,000 shares were issuable upon exercise of options granted to employees and directors.

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

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

In connection with the acquisition of Walker Comm, we assumed a lease with a living trust established by Gary Walker, one of our Directors, who is the trustee and whose heirs are the beneficiaries of the trust. The lease is for a building and land located in Fairfield, California, which is occupied by our Walker Comm subsidiary. The lease calls for monthly rental payments of \$7,805, with annual increases, calculated using the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area Consumer Price Index. For each of the fiscal years ended April 30, 2008 and 2007, the rent paid for this lease was \$90,943 and \$88,000, respectively. We believe the terms of this lease are no less favorable than those which could have been obtained between unrelated parties for similar transactions acting at arm's length.

On August 22, 2003, we acquired all of the outstanding shares of Clayborn, our wholly owned subsidiary, in exchange for an aggregate \$900,000 cash consideration and 68,871 newly issued shares of our common stock. The Clayborn stockholders consisted of David Gove, the former President of Clayborn, and his spouse. An additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn stockholders of 50% of the quarterly post tax profits, as defined, of Clayborn and a final payment of any remaining balance on that date. Through April 30, 2008, payments of \$1,100,000 have been made to the former Clayborn stockholders.

On July 19, 2006, we acquired SECS and we lease our Sarasota, Florida location from a trust, of which one of the former shareholders of SECS, is the trustee. For the years ended April 30, 2008 and 2007, the rent paid for this lease was \$52,516 and \$40,315, respectively. We believe the terms of this lease are no less favorable than those which could have been obtained between unrelated parties for similar transactions acting at arm's length.

On March 30, 2007, we lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo, are the members. For the years ended April 30, 2008 and 2007, the rent paid for this lease was \$54,500 and \$4,500, respectively. We believe the terms of this lease are no less favorable than those which could have been obtained between unrelated parties for similar transactions acting at arm's length.

In connection with the acquisition of TAGS in fiscal 2007, our joint venture partner provided the office building for TAGS rent free during fiscal year 2008. We expect to enter into a lease with the joint venture partner in fiscal 2009.

As of April 30, 2008 and 2007, TAGS had outstanding loans due to a related party, Taian Gas Group, totaling \$1,941,718 and \$717,190, respectively, of which \$1,431,230 matures on June 5, 2008, and bears interest at 7.524%.

As of April 30, 2008, Empire has outstanding loans due to the former shareholder totaling \$358,365, which bore interest at a rate of 5%. The loans were repaid in May 2008.

ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees. The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2008 and 2007, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were \$320,975 and \$278,471, respectively.

Audit Related Fees. We incurred fees to our independent auditors of \$6,000 and \$14,400, respectively, for audit related fees during the fiscal years ended April 30, 2008 and 2007. These fees were related to the review of our registration statements prior to filing with the SEC.

Tax and Other Fees. We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended April 30, 2008 and 2007.

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

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits:

- | | |
|------|--|
| 3.1 | Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006. |
| 3.2 | Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006. |
| 4.1 | Certificate of Designation of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 4.1 of wowtown.com, Inc.'s Form SB-2, filed June 8, 2000. |
| 4.2 | Certificate of Designation of Series B Convertible Preferred Stock, incorporated by reference to Exhibit 4.2 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed July 29, 2002. |
| 4.3 | Certificate of Designation of Series C Convertible Preferred Stock, incorporated by reference to Exhibit 4.3 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003. |
| 10.1 | Employment Agreement by and between WPCS International Incorporated and Andrew Hidalgo, dated as of February 1, 2004, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's registration statement on Form SB-2/A, filed April 30, 2004. |
| 10.2 | Employment Agreement by and among WPCS International Incorporated, Walker Comm, Inc, and Donald Walker, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003. |
| 10.3 | Employment Agreement by and among WPCS International Incorporated, Walker Comm, Inc, and Gary Walker, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003. |
| 10.4 | Employment Agreement by and between WPCS International Incorporated and Joseph Heater, dated as of June 1, 2005, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed July 29, 2005. |
| 10.5 | Employment Agreement by and between Heinz Corporation and James Heinz, dated as of April 1, 2004, incorporated by reference to Exhibit 10.12 of WPCS International Incorporated's registration statement on Form SB-2/A, filed April 30, 2004. |
| 10.6 | Purchase Agreement, dated as of April 11, 2006, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 12, 2006. |
| 10.7 | Waiver, dated as of April 11, 2006, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed April 12, 2006. |
| 10.8 | Stock Purchase Agreement, dated as of June 7, 2006, by and among WPCS International Incorporated, New England Communications Systems, Inc., Myron Polulak, Carolyn Windesheim and Gary Tallmon, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006. |
| 10.9 | Employment Agreement, dated as of June 7, 2006, between New England Communications Systems, Inc. and Myron Polulak, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006. |

- 10.10 Employment Agreement, dated as of June 7, 2006, between New England Communications Systems, Inc. and Carolyn Windesheim, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed June 9, 2006.
- 10.11 Stock Purchase Agreement, dated as of July 19, 2006, by and among WPCS International Incorporated, Southeastern Communication Service, Inc., Daniel G. Lester, Christopher P. Lester, Thomas A. Lester, Michael D. Lester, Karl F. Eickmeyer and Anthony Ankersmit, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed July 20, 2006.
- 10.12 Registration Rights Agreement, dated as of July 19, 2006, by and among WPCS International Incorporated, Southeastern Communication Service, Inc., Daniel G. Lester, Christopher P. Lester, Thomas A. Lester, Michael D. Lester, Karl F. Eickmeyer and Anthony Ankersmit, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed July 20, 2006.
- 10.13 Form of Securities Purchase Agreement, dated as of January 30, 2007, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed February 1, 2007.
- 10.14 Form of Registration Rights Agreement, dated as of January 30, 2007, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed February 1, 2007.
- 10.15 Stock Purchase Agreement, dated as of March 30, 2007, by and among WPCS International Incorporated, Voacolo Electric Incorporated, Jeffrey Voacolo, David Voacolo, Joseph Voacolo and Tracy Hossler, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
- 10.16 Registration Rights Agreement, dated as of March 30, 2007, by and among WPCS International Incorporated, Voacolo Electric Incorporated, Jeffrey Voacolo, David Voacolo, Joseph Voacolo and Tracy Hossler, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
- 10.17 Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and Jeffrey Voacolo, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
- 10.18 Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and David Voacolo, incorporated by reference to Exhibit 10.5 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
- 10.19 Employment Agreement, dated as of March 30, 2007, between Voacolo Electric Incorporated and Joseph Voacolo, incorporated by reference to Exhibit 10.6 of WPCS International Incorporated's current report on Form 8-K, filed April 2, 2007.
- 10.20 Interest Purchase Agreement, dated as of April 5, 2007, by and among WPCS International Incorporated, American Gas Services, Inc. and American Gas Services, Inc. Consultants, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed April 9, 2007.
- 10.21 Loan Agreement, dated April 10, 2007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company, Inc., Southeastern Communication Service, Inc., and Walker Comm, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's amended current report on Form 8-K/A, filed April 17, 2007.
- 10.22 Security Agreement, dated April 10, 2007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company, Inc., Southeastern Communication Service, Inc., and Walker Comm, Inc., incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's amended current report on Form 8-K/A, filed April 17, 2007.
- 10.23 Employment Agreement, effective as of April 1, 2007, between WPCS International Incorporated and Charles Madenford, incorporated by reference to Exhibit 10.36 of WPCS International Incorporated's annual report on Form 10-K, filed July 30, 2007.

- 10.24 Stock Purchase Agreement, dated as of August 1, 2007, by and among WPCS International Incorporated, Major Electric, Inc., Frank Mauger, James Jordan and Todd Kahl, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.25 Registration Rights Agreement, dated as of August 1, 2007, by and among WPCS International Incorporated, Major Electric, Inc., Frank Mauger, James Jordan and Todd Kahl, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.26 Escrow Agreement, dated as of August 1, 2007, by and among WPCS International Incorporated, Major Electric, Inc., Frank Mauger, James Jordan, Todd Kahl and Sichenzia Ross Friedman Ference LLP, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.27 Employment Agreement, dated as of August 1, 2007, between Major Electric, Inc. and Frank Mauger, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.28 Employment Agreement, dated as of August 1, 2007, between Major Electric, Inc. and James Jordan, incorporated by reference to Exhibit 10.5 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.29 Membership Interest Purchase Agreement, dated as of August 2, 2007, by and among WPCS International Incorporated, Max Engineering LLC, Hak-Fong Ma and Robert Winterhalter, incorporated by reference to Exhibit 10.6 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.30 Registration Rights Agreement, dated as of August 2, 2007, by and among WPCS International Incorporated, Max Engineering LLC, Hak-Fong Ma and Robert Winterhalter, incorporated by reference to Exhibit 10.7 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.31 Escrow Agreement, dated as of August 2, 2007, by and among WPCS International Incorporated, Max Engineering LLC, Hak-Fong Ma, Robert Winterhalter and Sichenzia Ross Friedman Ference LLP, incorporated by reference to Exhibit 10.8 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.32 Employment Agreement, dated as of August 2, 2007, between Max Engineering LLC and Hak-Fong Ma, incorporated by reference to Exhibit 10.9 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.33 Employment Agreement, dated as of August 2, 2007, between Max Engineering LLC and Robert Winterhalter, incorporated by reference to Exhibit 10.10 of WPCS International Incorporated's current report on Form 8-K, filed August 7, 2007.
- 10.34 Stock Purchase Agreement, dated as of November 1, 2007, by and among WPCS International Incorporated, Gomes and Gomes, Inc. dba Empire Electric, Harold L. Gomes and Judy L. Gomes, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed November 2, 2007.
- 10.35 Escrow Agreement, dated as of November 1, 2007, by and among WPCS International Incorporated, Gomes and Gomes, Inc. dba Empire Electric, Harold L. Gomes, Judy L. Gomes and Sichenzia Ross Friedman Ference LLP, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed November 2, 2007.
- 10.36 Employment Agreement, dated as of November 1, 2007, between Gomes and Gomes, Inc. dba Empire Electric and Harold L. Gomes, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed November 2, 2007.
- 10.37 Employment Agreement, dated as of November 1, 2007, between Gomes and Gomes, Inc. dba Empire Electric and Judy L. Gomes, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's current report on Form 8-K, filed November 2, 2007.
- 10.38 Form of Share Purchase Agreement, dated as of November 30, 2007, by and among WPCS Australia Pty Ltd., James Design Pty Ltd., Steven Peter James, Annette Beryl James, Adrian Kent Ferris, Lionel John Ferris, Margo Donoghue, David Arthur Hunter and Leonne Rosslyn Whibley, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed December 5, 2007.

- 10.39 Form of Escrow Agreement, dated as of November 30, 2007, by and among WPCS Australia Pty Ltd., James Design Pty Ltd., Steven Peter James, Annette Beryl James, Adrian Kent Ferris, Lionel John Ferris, Margo Donoghue, David Arthur Hunter, Leonne Rosslyn Whibley and Gilshenan & Luton Legal Group, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed December 5, 2007.
- 10.40 Form of Employment Agreement, dated as of November 30, 2007, by and between WPCS Australia Pty Ltd and Steven Peter James, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed December 5, 2007.
- 10.41 Asset Purchase Agreement, dated as of June 26, 2008 by and among Max Engineering LLC, Lincoln Wind LLC and Matthew Cumberworth, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's current report on Form 8-K, filed July 1, 2008.
- 10.42 Assignment and Lease Assumption Agreement, dated as of June 26, 2008 by between among Max Engineering LLC, Lincoln Wind LLC, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's current report on Form 8-K, filed July 1, 2008.
- 10.43 Employment Agreement, dated as of June 26, 2008 by and between Max Engineering LLC and Matthew Cumberworth, incorporated by reference to Exhibit 10.3 of WPCS International Incorporated's current report on Form 8-K, filed July 1, 2008.
- 10.44 Escrow Agreement, dated as of June 26, 2008 by between among Max Engineering LLC, Lincoln Wind LLC, incorporated by reference to Exhibit 10.4 of WPCS International Incorporated's current report on Form 8-K, filed July 1, 2008.
- 10.45 Escrow Agreement, dated as of June 26, 2008 by between among Max Engineering LLC, Lincoln Wind LLC, incorporated by reference to Exhibit 10.5 of WPCS International Incorporated's current report on Form 8-K, filed July 1, 2008.
- 10.46 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.
- 10.47 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.
- 10.48 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.
- [10.49 Amendment to Employment Agreement, dated as of June 1, 2008, by and between WPCS International Incorporated and Andrew Hidalgo, filed herewith.](#)
- [10.50 Amendment to Employment Agreement, dated as of June 1, 2008, by and between WPCS International Incorporated and Joseph Heater, filed herewith.](#)
- [10.51 Agreement, dated as of June 1, 2008, by and between WPCS International Incorporated and Richard Schubiger, filed herewith.](#)
- 14 Code of Ethics and Business Conduct, incorporated by reference to Exhibit 14 of WPCS International Incorporated's annual report on Form 10-KSB, filed August 14, 2003.
- 21.1 Subsidiaries of the registrant, filed herewith.
- 23.1 Consent of J.H. Cohn LLP, Independent Registered Public Accounting Firm.

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

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the years ended April 30, 2008 and 2007

(A) Description Allowance for Doubtful Accounts	(B) Balance at Beginning of Period	(C) Additions Charged to Costs and Expenses	(D) Deductions	(E) Balance at end of Period
April 30, 2006	\$ 75,786	35,877	\$ (6877)	(1) \$ 104,786
April 30, 2007	104,786	-	(6,000)	(1) 98,786
April 30, 2008	\$ 98,786	-	-	\$ 98,786

(1). Write-off of uncollectible accounts.

SIGNATURES

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

WPCS INTERNATIONAL INCORPORATED

Date: July 29, 2008

By: /s/ ANDREW HIDALGO
Andrew Hidalgo
Chief Executive Officer (Principal Executive Officer)

Date: July 29, 2008

By: /s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer (Principal Accounting Officer)

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

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ ANDREW HIDALGO</u> Andrew Hidalgo	Chairman of the Board	July 29, 2008
<u>/s/ NORM DUMBROFF</u> Norm Dumbroff	Director	July 29, 2008
<u>/s/ NEIL HEBENTON</u> Neil Hebenton	Director	July 29, 2008
<u>/s/ GARY WALKER</u> Gary Walker	Director	July 29, 2008
<u>/s/ WILLIAM WHITEHEAD</u> William Whitehead	Director	July 29, 2008

Exhibit 10.49

May 22, 2008

Andrew Hidalgo
608 Perimeter Drive
Downingtown, PA 19335

Re: Amendment to Employment Agreement

Dear Andy,

As Chairman of the Executive Committee of the WPCS International Incorporated Board of Directors, I wish to inform you that the committee has duly executed a resolution to increase your compensation. This letter shall serve as an amendment to the employment agreement effective February 1, 2004 between Employee and Employer (the "Agreement"). Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Agreement. Section 5 of the Agreement is hereby amended and replaced in its entirety with the following:

—
5. Compensation of Hidalgo. As compensation for the services provided by Hidalgo under this Paragraph, the Company shall pay Hidalgo an annual salary of Three Hundred Twenty-Five Thousand Dollars (\$325,000) to be paid in accordance with the Company's usual payroll procedures. In addition to the above base compensation, Hidalgo shall be eligible to receive bonuses based on the performance of the Company.

—
The foregoing amendment shall be effective as of June 1, 2008. Please confirm your acceptance by signing below.

Respectfully,

/s/ Norm Dumbroff
Norm Dumbroff
Chairman of the Executive Committee
Board of Directors
WPCS International Incorporated

Accepted and agreed to this the 22nd day of May 2008.

/s/ Andrew Hidalgo
Andrew Hidalgo

Exhibit 10.50

May 22, 2008

Joseph A. Heater
109 Brookhollow Drive
Downingtown, PA 19335

Re: Amendment to Employment Agreement

Dear Joe,

As Chairman of the Executive Committee of the WPCS International Incorporated Board of Directors, I wish to inform you that the committee has duly executed a resolution to increase your compensation. This letter shall serve as an amendment to the employment agreement effective June 1, 2005 between Employee and Employer (the "Agreement"). Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Agreement. Section 5 of the Agreement is hereby amended and replaced in its entirety with the following:

—
5. Compensation of Heater. As compensation for the services provided by Heater under this Paragraph, the Company shall pay Heater an annual salary of Two Hundred Fifty Thousand Dollars (\$250,000) to be paid in accordance with the Company's usual payroll procedures. In addition to the above base compensation, Heater shall be eligible to receive bonuses based on the performance of the Company.
—

The foregoing amendment shall be effective as of June 1, 2008. Please confirm your acceptance by signing below.

Respectfully,

/s/ Norm Dumbroff
Norm Dumbroff
Chairman of the Executive Committee
Board of Directors
WPCS International Incorporated

Accepted and agreed to this the 22nd day of May 2008.

/s/ Joseph A. Heater
Joseph A. Heater

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of June, 2008 (the "Effective Date").

AMONG:

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

AND

RICHARD SCHUBIGER, an individual having an address at Quality Communications, 1985 Swarthmore Avenue, Lakewood, NJ 08701 ("Employee")

WHEREAS, Employee has agreed to continue to serve as an Employee of Employer, and Employer has agreed to hire Employee as such, pursuant to the terms and conditions of this Employment Agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and the mutual covenants, agreements, representations and warranties contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Employee and Employer hereby agree as follows:

**ARTICLE 1
EMPLOYMENT**

Employer hereby affirms, renews and extends the employment of Employee as Executive Vice President, and Employee hereby affirms, renews and accepts such employment by Employer for the "Term" (as defined in Article 3 below), upon the terms and conditions set forth herein.

**ARTICLE 2
DUTIES**

During the Term, Employee shall serve Employer faithfully, diligently and to the best of his ability, under the direction and supervision of the President of Employer and shall use his best efforts to promote the interests and goodwill of Employer and any affiliates, successors, assigns, subsidiaries, and/or future purchasers of Employer. Employee shall render such services during the Term at Employer's principal place of business or at such other place of business as may be determined by the President of Employer, as Employer may from time to time reasonably require of him, and shall devote all of his business time to the performance thereof. Employee shall have those duties and powers as generally pertain to each of the offices of which he holds, as the case may be, subject to the control of the President.

**ARTICLE 3
TERM**

The "Term" of this Agreement shall commence on the Effective Date and continue thereafter for a term of three (3) years, as may be extended or earlier terminated pursuant to the terms and conditions of this Agreement. The Term of this Agreement shall automatically renew for successive one (1) year periods unless, prior to the 30th calendar day preceding the expiration of the then existing Term, either Employer or Employee provides written notice to the other that it elects not to renew the Term. Upon delivery of such notice, this Agreement shall continue until expiration of the Term, whereupon this Agreement shall terminate and neither party shall have any further obligation thereafter arising under this Agreement, except as explicitly set forth herein to the contrary.

**ARTICLE 4
COMPENSATION**

Salary

4.1

Employer shall pay to Employee through the Quality Communications subsidiary an annual salary (the "Salary") of Two Hundred, Twenty-Five Thousand Dollars (\$225,000.00), payable in equal installments at the end of such regular payroll accounting periods as are established by Employer, or in such other installments upon which the parties hereto shall mutually agree, and in accordance with Employer's usual payroll procedures, but no less frequently than monthly.

Benefits

4.2

During the Term, Employee shall be entitled to participate in all medical and other employee benefit plans, including vacation, sick leave, retirement accounts and other employee benefits provided by the Quality Communications subsidiary to similarly situated employees on terms and conditions no less favorable than those offered to such employees. Such participation shall be subject to the terms of the applicable plan documents, Employer's generally applicable policies, and the discretion of the Board of Directors or any administrative or other committee provided for in, or contemplated by, such plan.

Expense Reimbursement

4.3

Employer shall reimburse Employee through the Quality Communications subsidiary for reasonable and necessary expenses incurred by him on behalf of Employer in the performance of his duties hereunder during the Term in accordance with Employer's then customary policies, provided that such expenses are adequately documented.

Automobile

4.4

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

Bonus

4.5

In addition to the Salary, Employee shall be entitled to receive through the Quality Communications subsidiary an annual bonus equal to 3% (the "Bonus") of the consolidated annual operating income, before the deduction of interest and taxes of designated subsidiaries as assigned by Employer. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of each designated subsidiary, as calculated based on U.S. generally accepted accounting principles and as audited by the Employer's accounting firm at year end. Any Bonus amount will be payable within thirty (30) days from completion of the audit. Employee shall have the right to review and independently verify the conclusions of any audit by delivering notice in writing to Employer within 30 days after receipt of such audit indicating that Employee wishes to exercise his right of review and verification. Within 10 business days after receipt of any such notice, Employer shall make available to Employee and his representatives, at reasonable times during normal business hours, the books and records of Employer which are reasonably necessary to conduct such review and verification. Employee shall cause such review to be conducted and concluded as quickly as reasonably practicable and in such a manner so as not to unreasonably interfere with the business and operations of Employer. Any representatives conducting such review shall, prior to being given access to such books and records, be required to enter into confidentiality and non-disclosure agreements with Employer on terms and conditions satisfactory to Employer, acting reasonably. If Employee disputes the results of the audit, he shall, within 20 days after notice is delivered by Employee to Employer that there exists a dispute, be submitted to arbitration as set forth below. Employer can assign subsidiaries at its sole discretion.

Arbitration

4.6

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

ARTICLE 5 OTHER EMPLOYMENT

During the Term of this Agreement, Employee shall devote substantially all of his business and professional time and effort, attention, knowledge, and skill to the management, supervision and direction of Employer's business and affairs as Employee's highest professional priority. Except as provided below, Employer shall be entitled to all benefits, profits or other issues arising from or incidental to all work, services and advice performed or provided by Employee. Provided that the activities listed below do not materially interfere with the duties and responsibilities under this Agreement, nothing in this Agreement shall preclude Employee from devoting reasonable periods required for:

- (a) Serving as a member of any organization involving no conflict of interest with Employer, provided that Employee must obtain the written consent of Employer;
- (b) Serving as a consultant in his area of expertise to government, commercial and academic panels where it does not conflict with the interests of Employer; and
- (c) Managing his personal investments or engaging in any other non-competing business

ARTICLE 6 CONFIDENTIAL INFORMATION/INVENTIONS

Confidential Information

6.1

Employee shall not, in any manner, for any reasons, either directly or indirectly, divulge or communicate to any person, firm or corporation, any confidential information concerning any matters not generally known or otherwise made public by Employer which affects or relates to Employer's business, finances, marketing and/or operations, research, development, inventions, products, designs, plans, procedures, or other data (collectively, "Confidential Information") except in the ordinary course of business or as required by applicable law. Without regard to whether any item of Confidential Information is deemed or considered confidential, material, or important, the parties hereto stipulate that as between them, to the extent such item is not generally known, such item is important, material, and confidential and affects the successful conduct of Employer's business and goodwill, and that any breach of the terms of this Section 6.1 shall be a material and incurable breach of this Agreement. Confidential Information shall not include information in the public domain at the time of the disclosure of such information by Employee or information that is disclosed by Employee with the prior consent of Employer.

Documents

6.2

Employee further agrees that all documents and materials furnished to Employee by Employer and relating to the Employer's business or prospective business are and shall remain the exclusive property of Employer. Employee shall deliver all such documents and materials, not copied, to Employer upon demand therefore and in any event upon expiration or earlier termination of this Agreement. Any payment of sums due and owing to Employee by Employer upon such expiration or earlier termination shall be conditioned upon returning all such documents and materials, and Employee expressly authorizes Employer to withhold any payments due and owing pending return of such documents and materials.

Inventions

6.3

All ideas, inventions, and other developments or improvements conceived or reduced to practice by Employee, alone or with others, during the Term of this Agreement, whether or not during working hours, that are within the scope of the business of Employer or that relate to or result from any of Employer's work or projects or the services provided by Employee to Employer pursuant to this Agreement, shall be the exclusive property of Employer. Employee agrees to assist Employer, at Employer's expense, to obtain patents and copyrights on any such ideas, inventions, writings, and other developments, and agrees to execute all documents necessary to obtain such patents and copyrights in the name of Employer.

Disclosure

6.4

During the Term, Employee will promptly disclose to the Board of Directors of Employer full information concerning any interest, direct or indirect, of Employee (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his immediate family in any business that is reasonably known to Employee to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to, Employer or to any of its suppliers or customers.

ARTICLE 7 COVENANT NOT TO COMPETE

Except as expressly permitted in Article 5 above, during the Term of this Agreement, (a) Employee shall not engage, directly or indirectly, in any business or activity competitive to any business or activity engaged in, or proposed to be engaged in, by Employer or (b) soliciting or taking away or interfering with any contractual relationship of any employee, agent, representative, contractor, supplier, vendor, customer, franchisee, lender or investor of Employer, or using, for the benefit of any person or entity other than Employer, any Confidential Information of Employer. The foregoing covenant prohibiting competitive activities shall survive the termination of this Agreement and shall extend, and shall remain enforceable against Employee, for the period of one (1) year following the date this Agreement is terminated. In addition, during the one-year period following such expiration or earlier termination, neither Employee nor Employer shall make or permit the making of any negative statement of any kind concerning Employer or its affiliates, or their directors, officers or agents or Employee.

ARTICLE 8 SURVIVAL

Employee agrees that the provisions of Articles 6, 7 and 9 shall survive expiration or earlier termination of this Agreement for any reasons, whether voluntary or involuntary, with or without cause, and shall remain in full force and effect thereafter. Notwithstanding the foregoing, if this Agreement is terminated upon the dissolution of Employer, the filing of a petition in bankruptcy by Employer or upon an assignment for the benefit of creditors of the assets of Employer, Articles 6, 7 and 9 shall be of no further force or effect.

ARTICLE 9 INJUNCTIVE RELIEF

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

**ARTICLE 10
TERMINATION**

Termination by Employee

10.1

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

Good Reason

10.2

In this Agreement, "Good Reason" means, without Employee's prior written consent, the occurrence of any of the following events, unless Employer shall have fully cured all grounds for such termination within thirty (30) days after Employee gives notice thereof:

- (i) any reduction in his then-current Salary;
- (ii) any material failure to timely grant, or timely honor, any equity or long-term incentive award;
- (iii) failure to pay or provide required compensation and benefits;
- (iv) any failure to appoint, elect or reelect him to the position of Executive Vice President of Employer; the removal of him from such position; or any changes in the reporting structure so that Employee reports to someone other than the President of Employer;
- (v) any material diminution in his title or duties or the assignment to him of duties not customarily associated with Employee's position as Executive Vice President of Employer;
- (vi) any relocation of Employee's office as assigned to him by Employer, to a location more than 25 miles from the assigned location;
- (vii) the failure of Employer to obtain the assumption in writing of its obligation to perform the Employment Agreement by any successor to all or substantially all of the assets of Employer or upon a merger, consolidation, sale or similar transaction of Employer or;
- (viii) the voluntary or involuntary dissolution of Employer, the filing of a petition in bankruptcy by Employer or upon an assignment for the benefit of creditors of the assets of Employer.

The written notice given hereunder by Employee to Employer shall specify in reasonable detail the cause for termination, and such termination notice shall not be effective until thirty (30) days after Employer's receipt of such notice, during which time Employer shall have the right to respond to Employee's notice and cure the breach or other event giving rise to the termination.

Termination by Employer

10.3

Employer may terminate its employment of Employee under this Agreement for cause at any time by written notice to Employee. For purposes of this Agreement, the term "cause" for termination by Employer shall be (a) a conviction of or plea of guilty or *nolo contendere* by Employee to a felony, or any crime involving fraud or embezzlement; (b) the refusal by Employee to perform his material duties and obligations hereunder; (c) Employee's willful and intentional misconduct in the performance of his material duties and obligations; or (d) if Employee or any member of his family makes any personal profit arising out of or in connection with a transaction to which Employer is a party or with which it is associated without making disclosure to and obtaining the prior written consent of Employer. The written notice given hereunder by Employer to Employee shall specify in reasonable detail the cause for termination. In the case of a termination for the causes described in (a) and (d) above, such termination shall be effective upon receipt of the written notice. In the case of the causes described in (b) and (c) above, such termination notice shall not be effective until thirty (30) days after Employee's receipt of such notice, during which time Employee shall have the right to respond to Employer's notice and cure the breach or other event giving rise to the termination.

Severance

10.4

Upon a termination of this Agreement without Good Reason by Employee or with cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation as of the date of such termination, subject to the provision of Section 6.2. Upon a termination of this Agreement with Good Reason by Employee or without cause by Employer, Employer shall pay to Employee all accrued and unpaid compensation and expense reimbursement as of the date of such termination and the "Severance Payment." The Severance Payment shall be payable in a lump sum, subject to Employer's statutory and customary withholdings. If the termination of Employee hereunder is by Employee with Good Reason, the Severance Payment shall be paid by Employer within five (5) business days of the expiration of any applicable cure period. If the termination of Employee hereunder is by Employer without cause, the Severance Payment shall be paid by Employer within five (5) business days of termination. The "Severance Payment" shall equal the amount of the Salary payable to Employee under Section 4.1 of this Agreement from the date of such termination until the end of the Term of this Agreement (prorated for any partial month).

Termination Upon Death

10.5

If Employee dies during the Term of this Agreement, this Agreement shall terminate, except that Employee's legal representatives shall be entitled to receive any earned but unpaid compensation or expense reimbursement due hereunder through the date of death.

Termination Upon Disability

10.6

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

ARTICLE 11 PERSONNEL POLICIES, CONDITIONS, AND BENEFITS

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies and benefit plans which apply generally to Employer's employees as the same may be interpreted, adopted, revised or deleted from time to time, during the Term of this Agreement, by Employer in its sole discretion. During the Term hereof, Employee shall be entitled to vacation during each year of the Term at the rate of four (4) weeks per year. Employee shall take such vacation at a time approved in advance by Employer, which approval will not be unreasonably withheld but will take into account the staffing requirements of Employer and the need for the timely performance of Employee's responsibilities.

ARTICLE 12 BENEFICIARIES OF AGREEMENT

This Agreement shall inure to the benefit of Employer and any affiliates, successors, assigns, parent corporations, subsidiaries, and/or purchasers of Employer as they now or shall exist while this Agreement is in effect.

**ARTICLE 13
GENERAL PROVISIONS**

No Waiver

13.1

No failure by either party to declare a default based on any breach by the other party of any obligation under this Agreement, nor failure of such party to act quickly with regard thereto, shall be considered to be a waiver of any such obligation, or of any future breach.

Modification

13.2

No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the parties to be charged therewith.

Choice of Law/Jurisdiction

13.3

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without regard to any conflict-of-laws principles. Employer and Employee hereby consent to personal jurisdiction before all courts in the State of New Jersey, and hereby acknowledge and agree that New Jersey is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

13.4

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

Severability

13.5

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

Headings

13.6

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

Independent Legal Advice

13.7

Employer has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice with respect to same before executing this Agreement. Employee, in executing this Agreement, represents and warranties to Employer that he has been so advised to obtain independent legal advice, and that prior to the execution of this Agreement he has so obtained independent legal advice, or has, in his discretion, knowingly and willingly elected not to do so.

No Assignment

13.8

Employee may not assign, pledge or encumber his interest in this Agreement nor assign any of his rights or duties under this Agreement without the prior written consent of Employer.

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

Employer:

By: /s/ Andrew Hidalgo

Andrew Hidalgo
President
WPCS International Incorporated

Employee:

By: /s/ Richard Schubiger

Richard Schubiger

CERTIFICATIONS

I, Andrew Hidalgo, certify that:

- 1) I have reviewed this annual report on Form 10-K of WPCS International Incorporated.
- 2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- 4) The registrant's other certifying officer(s) 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 have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) 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 report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2008

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

CERTIFICATIONS

I, Joseph Heater, certify that:

- 1) I have reviewed this annual report on Form 10-K of WPCS International Incorporated.
- 2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- 4) The registrant's other certifying officer(s) 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 have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) 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 report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2008

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

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of WPCS International Incorporated (the "Company") on Form 10-K for the period ending April 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Hidalgo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 29, 2008

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of WPCS International Incorporated (the "Company") on Form 10-K for the period ending April 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Heater, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 29, 2008

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer