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, 2010

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** (Zip Code)	**(610) 903-0400** (Registrant's telephone number, Including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	The NASDAQ Global Market
Right to Purchase Series D Junior Participating Preferred Stock (attached to Common Stock)	The 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 check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

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

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

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

The aggregate market value of the voting common equity held by non-affiliates as of October 31, 2009, based on the closing sales price of the Common Stock as quoted on the Nasdaq Global Market was $20,945,641. 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 20, 2010, there were 6,954,766 shares of registrant's common stock outstanding

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PART I

ITEM 1 - BUSINESS

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 Factors" 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.

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". Domestic operations include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International - St. Louis, Inc. (St. Louis Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Sarasota, Inc. (Sarasota Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), and WPCS International – Portland, Inc. (Portland Operations). International operations include WPCS Asia Limited, Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd, WPCS International – Brisbane, Pty Ltd., WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively the Australia Operations).

Overview and Recent Developments

We are a global provider of design-build engineering services for communications infrastructure, with over 500 employees in ten operation centers on three continents. We provide our engineering capabilities including wireless communication, specialty construction and electrical power to a diversified customer base in the public services, healthcare, energy and corporate enterprise markets worldwide.

Historically, each of our wholly-owned subsidiaries has operated and was known primarily by our customers and vendors through a variety of subsidiary legal names, while our investors know us primarily by our “WPCS” name. In order to better serve our diversified customer base, we launched a key initiative in the third and fourth quarter of fiscal 2009 to brand each of our subsidiaries with the “WPCS” name. We believe this branding strategy positions our company to better pursue national contracts with existing customers, further develops our relationships with technology providers, improves our purchasing power and achieves certain cost reductions under one integrated name. This branding strategy has included, among other things, changing our subsidiaries’ legal names, company website, email, promotional and advertising materials and signage. The total cost for the branding initiative was $166,000 which was incurred during the fiscal years ended April 30, 2010 and 2009. In addition, by operating under one name we have consolidated certain operations to reduce administrative overhead expenses and improve operating efficiencies.

Furthermore, as part of our branding strategy and to better represent our comprehensive design-build engineering capabilities, we have reorganized our operating segments to correspond to our primary service lines: wireless communication, specialty construction and electrical power. Accordingly, we are reporting our results under these three business segments in this Form 10-K for the fiscal years ended April 30, 2010 and 2009. As a result, certain reclassifications have been made to the prior year segment information to conform to the reorganized composition of our operating segments.

The global economy depends on efficient voice, data and video communication. Old communication infrastructure needs to be replaced and new technology needs to be implemented. We believe we have the design-build capabilities to address the demand. For communication infrastructure projects that are significant in scope, we have the ability to offer wireless communication, specialty construction and electrical power. Because we are technology independent, we can integrate multiple products and services across a variety of communication requirements. This gives our customers the flexibility to obtain the most appropriate solution for their communication needs on a cost effective basis. In wireless communication, we can design and deploy all types of wireless systems in a variety of applications for mobile communications, asset tracking and video surveillance. In specialty construction, we have provided building design services for mechanical, electrical and hydraulic systems as well as construction services for energy including solar power systems and wind turbines. In specialty construction, we have installed traffic control systems and smart message signs for transportation infrastructure. On the electrical power side, we are capable of all types of commercial and industrial electrical work including the integration of advanced building communications technology for voice and data, life safety, security and HVAC.

Since our inception in 2001, we have grown organically and through strategic acquisitions to establish a presence in addressing the global needs of communications technology. For the fiscal year ended April 30, 2010, we generated revenues of approximately $106 million, compared to $107 million for the fiscal year ended April 30, 2009. Our backlog at April 30, 2010 and 2009 was approximately $48.6 million and $38.4 million, respectively.

Industry Trends

We focus on markets such as public services, healthcare, energy and international which continue to show strong growth potential

- *Public services*. We provide communications infrastructure for public services which includes police, fire, emergency dispatch, utilities, education, military and transportation infrastructure. The public services sector is benefitting from the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) which has made funding available for state and local municipalities nationwide. Of the $787 billion in total funding, according to a July 2010 article by The New York Times, approximately $32 billion has been allocated for communications infrastructure projects to be completed over the next several years which fit our service capabilities.

- *Healthcare.* We provide communications infrastructure for hospitals and medical centers. In the healthcare market, according to an October 2008 report from Market Research, the aging population and the need to reduce labor costs through the implementation of advanced communications technology is driving projected expenditures of $3 billion per year over the next few years.

- *Energy*. We provide communications infrastructure for petrochemical, natural gas, electric utilities and alternative energy. The need to deliver basic energy more efficiently and to create new energy sources is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology which creates the demand for communications infrastructure. According to a July 2010 article by The New York Times, the ARRA legislation has allocated approximately $36 billion in funding for energy and conservation projects over the next few years which fit our service capabilities.

- *International*. We provide communications infrastructure internationally for a variety of companies and government entities. China is spending on building its internal infrastructure and Australia is upgrading their infrastructure. China is expecting a positive GDP growth rate of 10% per China's National Bureau of Statistics and Australia is expecting a positive GDP growth rate of 3% per the Australia Department of Foreign Affairs and Trade.

***Business* Strategy**

Our goal is to become the recognized design-build engineering leader for communications infrastructureon a global scale. Our business strategy focuses on both organic growth and the pursuit of acquisitions that add to our engineering capacity and geographic coverage. We believe that our financial strength, geographic coverage and repeat customer base presents the opportunity to grow the Company substantially from a revenue and earnings perspective. 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 revenue producing projects and increased profitability.

- *Maintain and expand our focus in strategic markets.* We have designed and deployed successful and innovative communications infrastructure solutions for multiple customers in a number of strategic markets, such as public services, healthcare, energy and corporate enterprise. We will continue to seek additional customers in these targeted markets and look for new ways in which we can design and deploy communications infrastructure for increased productivity.

- *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. We have worked with these providers in testing new communications technology. Our technicians are trained and maintain certifications on a variety of leading communications technology products which exhibits our commitment in providing advanced solutions for our customers.

- *Seek strategic acquisitions.* We will continue to look for additional acquisitions of compatible businesses that can be readily assimilated into our organization, increase our engineering capabilities, expand our geographic coverage and add accretive earnings to our business. Our preferred acquisition candidates will have experience in the wireless communication, specialty construction and/or electrical power markets. A specific goal is to expand our international operations, primarily in Australia and China.

Design-Build Services

We operate in three business segments: wireless communication; specialty construction; and electrical power. For the fiscal year ended April 30, 2010, wireless communication represented approximately 28.5% of our total revenue, specialty construction represented approximately 14.2% of our total revenue and electrical power represented approximately 57.3% of our revenue. For the fiscal year ended April 30, 2009, wireless communication represented approximately 31.9% of our total revenue, specialty construction represented approximately 9.6% of our total revenue and electrical power represented approximately 58.5% of our revenue. See Note 12 to the Consolidated Financial Statements for the financial results of each segment for the fiscal years ended April 30, 2010 and 2009.

Wireless Communication

Throughout the community or around the world, in remote and urban locations, wireless networks provide the connections that keep information flowing. The design and deployment of a wireless network solution requires an in-depth knowledge of radio frequency engineering so that wireless networks are free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. We have extensive experience and methodologies that are well suited to address these challenges for our customers. We are capable of designing wireless networks and providing the technology integration necessary to meet goals for enhanced communication, increased productivity and reduced costs. We have the engineering expertise to utilize all facets of wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, WiMAX networks, point-to-point systems, mesh networks, microwave systems, cellular networks, in-building systems and two-way communication systems.

Specialty Construction

We offer specialty construction services for building design including the design and integration of mechanical, electrical, hydraulic and life safety systems in an environmentally safe manner. We work through all phases of the building design and construction to evaluate the design for cost, flexibility, efficiency, productivity and overall environmental impact.

Next, we have established capabilities in transportation infrastructure. In the developing world, urbanization has created increased mobility, placing great demands on transportation infrastructure. Governments are responding by making the construction of safe, efficient roads a priority. New systems are needed for traffic monitoring, traffic signaling, video surveillance and smart message signs to communicate information advisories. We are providing design-build engineering services for these technologically advanced systems.

Lastly, as world economies are growing, standards of living are improving and energy supplies are dwindling. It is a scenario that has accelerated the search for new energy sources and better ways of delivery existing supply. We are contributing in both of these critical areas. We design and deploy alternative energy solutions in wind and solar power. Through a unique combination of scientific, geologic, engineering and construction expertise, we offer solutions in site design, solar installation, meteorological towers and wind turbine installation. In addition, we support energy companies as they maximize the efficiency of their energy supply infrastructure, by providing a range of services from pipeline trenching to the deployment of wireless solutions.

Electrical Power

Electrical power transmission and distribution networks built years ago often cannot fulfill the growing technological needs of today's end users. We provide complete electrical contracting services to help commercial and industrial facilities of all types and sizes to upgrade their power systems. Our capabilities include power transmission, switchgear, underground utilities, outside plant, instrumentation and controls. We provide an integrated approach to project coordination that creates cost-effective solutions. In addition, corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right electrical infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems and electrical networks. We support the integration of telecommunications, fire protection, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

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

Customers

We serve a variety of public services, healthcare, energy and corporate enterprise customers. For the fiscal years ended April 30, 2010 and 2009, there were no customers which accounted for more than 10% of our revenue.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our strategic market focus and our relationships with technology providers. 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, 2010, we had a backlog of unfilled orders of approximately $48.6 million compared to approximately $38.4 million at April 30, 2009. 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 an executed 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. 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 communications infrastructure market but we would classify Quanta Services, Inc. (NYSE:PWR), Dycom Industries, Inc. (NYSE:DY) and Tetra Tech, Inc. (NASDAQ:TTEK) as national competitors. The principal competitive advantage in these markets is establishing a reputation of delivering projects on time and within budget. Other factors of importance include accountability, engineering capability, certifications, project management expertise, industry experience and financial strength. We believe that the ability to provide comprehensive communications infrastructure design-build services including wireless communication, specialty construction and electrical power 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 communications infrastructure, 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 and the ability and willingness of the competition to finance projects on favorable terms.

Employees

As of April 30, 2010, we employed 518 full time employees, of whom 354 are project engineers and technicians, 47 are project managers, 111 are in administration and sales and six are executives. Approximately 47% of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe we have excellent relations with all of our employees. We have 168 union employees who are covered by contracts that expire at various times as follows:

Operations	# of Employees	Union Contract Expiration Date
St. Louis	2	October 31, 2010
Portland	11	December 31, 2010
Trenton	20	May 31, 2011
Seattle	66	May 31, 2011
Suisun City	69	November 30, 2011
Total Union Employees	**168**	

ITEM 1A - RISK FACTORS

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

The ongoing economic downturn and instability in the financial markets may adversely impact our customers' future spending as well as payment for our services and, as a result, our operations and growth.

The U.S. economy is still recovering from the recent recession, and growth in economic activity has slowed substantially. The financial markets also have not fully recovered. It is uncertain when these conditions will significantly improve. Stagnant or declining economic conditions have adversely impacted the demand for our services and resulted in the delay, reduction or cancellation of certain projects and may continue to adversely affect us in the future. Additionally, our customers may finance their projects through the incurrence of debt or the issuance of equity. The availability of credit remains constrained, and many of our customers' equity values have not fully recovered from the negative impact of the recession. A reduction in cash flow or the lack of availability of debt or equity financing may continue to result in a reduction in our customers' spending for our services and may also impact the ability of our customers to pay amounts owed to us, which could have a material adverse effect on our operations and our ability to grow at historical levels.

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

Because the vast majority of our revenue is derived from a few industries, a downturn in any of those industries would adversely affect our results of operations. Specifically, an economic downturn in any industry we serve could result in the delay, reduction or cancellation of projects by our customers as well as cause our customers to outsource less work, resulting in decreased demand for our services and potentially impacting our operations and our ability to grow at historical levels. A number of other factors, including financing conditions and potential bankruptcies in the industries we serve or a prolonged economic downturn or recession, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future or pay for past services. For example, our wireless communication segment has been negatively impacted since mid-2008 by the slowdown in spending for public services projects at the state and local government level, resulting in reductions, delays or postponements of these projects, and we expect this slowdown will likely continue, at least in the near-term. Consolidation, competition, capital constraints or negative economic conditions in the public services, healthcare and energy industries may also result in reduced spending by, or the loss of, one or more of our customers.

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 design-build services that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing preferences.

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 nineteen 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 historically may slow or decline in the future.

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.

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

As of April 30, 2010, we had a backlog of unfilled orders of approximately $48.6 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 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, Polulak, Heinz, Walker, or Voacolo, 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. Myron Polulak, James Heinz, Gary Walker, and Jeffrey Voacolo, our Executive Vice Presidents. Mr. Hidalgo has overseen our company since inception and provides leadership for our growth and operations strategy. Messrs. Polulak, Heinz, Walker, and Voacolo oversee the day-to-day operations of our operating subsidiaries. Loss of the services of Messrs. Hidalgo, Polulak, Heinz, Walker, or Voacolo 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, Polulak, Heinz, Walker, or Voacolo.

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 32% 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.

Our business is labor intensive and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and profitability is limited by our ability to employ, train and retain the skilled personnel necessary to operate our business. We cannot be certain that we will be able to maintain the skilled labor force necessary to operate efficiently and support our growth strategy. Our ability to do so depends on a number of factors such as general rates of employment, competitive demands for employees having the skills we need and the level of compensation required to hire and retain qualified employees. In addition, we cannot be certain that our labor expenses will not increase as a result of shortages in the supply of these skilled personnel. As a result, our ability to maintain our productivity and profitability may be affected if we are unable to hire qualified employees and manage labor costs to retain employees.

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

In accordance with Accounting Standards Codification (ASC) 350, “Intangibles-Goodwill and Other,” we periodically review the carrying values of our goodwill to determine whether such carrying values exceed the fair market value of the reporting units. Each of the reporting units 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.

Legislative actions and initiatives relating to electric power, renewable energy and telecommunications may fail to result in increased demand for our services.

Demand for our services may not result from renewable energy initiatives. While many states currently have mandates in place that require certain percentages of power to be generated from renewable sources, states could reduce those mandates or make them optional, which could reduce, delay or eliminate renewable energy development in the affected states. Additionally, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and are not viable unless new or expanded transmission infrastructure to transport the power to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available, which may be further constrained as a result of the current tight credit markets. These factors may result in fewer renewable energy projects than anticipated and a delay in the construction of these projects and the related infrastructure, which could adversely affected the demand for our services. These factors could continue to result in delays or reductions in projects, which could further negatively impact our business.

The ARRA provides for various stimulus programs, such as grants, loan guarantees and tax incentives, relating to renewable energy, energy efficiency and electric power and telecommunications infrastructure. We cannot predict when programs under the ARRA will be implemented, the timing and scope of any investments to be made under these programs or whether these programs will result in increased demand for our services. Investments for renewable energy, electric power infrastructure and telecommunications fiber deployment under ARRA programs may not occur, may be less than anticipated or may be delayed, any of which would negatively impact demand for our services.

In addition, other current and potential legislative initiatives may not result in increased demand for our services. For instance, certain provisions of the proposed American Clean Energy and Security Act (ACES Act) are intended to encourage electric power transmission and renewable energy projects. However, it is uncertain whether the ACES Act, if enacted, will positively impact infrastructure spending in the long-term. Specifically, the ACES Act may not result in the anticipated acceleration of future transmission projects or encourage the installation of renewable energy generation facilities, which could result in fewer electric power transmission and substation projects than anticipated and consequently adversely impact demand for our services. It is not certain when or if these legislative initiatives, including the ACES Act, will be enacted or whether any potentially beneficial provisions will be included in the final legislation.

There are also a number of other legislative and regulatory proposals, including the ACES Act, to address greenhouse gas emissions, which are in various phases of discussion or implementation. The outcome of federal and state actions to address global climate change could negatively affect the operations of our customers through costs of compliance or restraints on projects, which could reduce their demand for our services.

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

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

Our 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 May 1, 2009 and April 30, 2010, our common stock has traded as low as $1.90 and as high as $4.38 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 (SOX), 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 may result in increased general and administrative costs, including potential increased audit fees for SOX compliance, 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.

On April 15, 2010, we filed a registration statement on Form S-3 using a "shelf" registration process. Under this shelf registration process, we may offer up to 2,314,088 shares of our common stock, from time to time, in amounts, at prices, and terms that we will determine at the time of the offering. Each share of our common stock automatically includes one right to purchase one one-thousandth of a share of Series D Junior Participating Preferred Stock, par value $0.0001 per share, which becomes exercisable pursuant to the terms and conditions set forth, in a Rights Plan Agreement with Interwest Transfer Co., Inc, as amended from time to time. We have not designated the amount of net proceeds from this offering that we will use for any particular purpose. Accordingly, our management will have broad discretion as to the application of the net proceeds. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for corporate purposes that may not increase our profitability or market value.

As of April 30, 2010, holders of our outstanding options have the right to acquire 597,605 shares of common stock issuable upon the exercise of stock options, at exercise prices ranging from $2.37 to $12.10 per share, with a weighted average exercise price of $5.17. The sale or availability for sale in the market of the shares underlying these options 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.

If our stockholders sell substantial amounts of our shares of common stock, including shares issued upon the exercise of outstanding options, 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.

Our stockholder rights plan may discourage a takeover.

In February 2010, our Board of Directors authorized shares of Series D Junior Participating Preferred Stock in connection with its adoption of a stockholder rights plan, under which we issued rights to purchase Series D Preferred Stock to holders of our common stock. Upon certain triggering events, such rights become exercisable to purchase common stock (or, in the discretion of our Board of Directors, Series D Preferred Stock) at a price substantially discounted from the then current market price of the common stock. Our stockholder rights plan may generally discourage a merger or tender offer involving our securities that is not approved by our Board of Directors by increasing the cost of effecting any such transaction and, accordingly, could have an adverse impact on stockholders who might want to vote in favor of such merger or participate in such tender offer. Our stockholder rights plan expires in February 2020.

Our international operations expose us to risks such as different business cultures, laws and regulations.

During fiscal 2010, we generated approximately 9.1% of our revenue from international clients. The different business cultures associated with international operations may not be fully appreciated before we sign an agreement, and thereby expose us to risk. Likewise, prior to signing a contract, we need to understand international laws and regulations, such as foreign tax and labor laws, and U.S. laws and regulations applicable to companies engaging in business outside of the United States, such as the Foreign Corrupt Practices Act. For these reasons, pricing and executing international contracts is more difficult and carries more risk than pricing and executing domestic contracts.

Our international operations expose us to foreign currency risk.

A majority of our transactions are in U.S. dollars; however, a few foreign subsidiaries conduct businesses in various foreign currencies. Therefore, we are subject to currency exposures and volatility because of currency fluctuations, inflation changes and economic conditions in these countries. We currently have no foreign currency hedges. We attempt to minimize our exposure to foreign currency fluctuations by matching our revenues and expenses in the same currency for our contracts.

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

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

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Our principal executive office is located in Exton, Pennsylvania. We operate our business under office leases in the following locations:

Location	Operations	Lease Expiration Date	Annual Rent
Exton, Pennsylvania	WPCS International	January 31, 2014	$ 53,869
Windsor, Connecticut	Hartford	April 30, 2014	$ 94,032
West Greenwich, Rhode Island	Hartford	November 30, 2010	$ 10,153
Chicopee, Massachusetts	Hartford	August 31, 2010	$ 1,200
Lakewood, New Jersey	Lakewood	August 31, 2010	$ 44,496
St. Helens, Oregon	Portland	May 11, 2011	$ 26,916
Sarasota, Florida (1)	Sarasota	July 31, 2011	$ 56,123
Woodinville, Washington	Seattle	December 31, 2012	$ 91,198
St. Louis, Missouri	St. Louis	August 31, 2010	$ 21,833
West Chester, Pennsylvania	St. Louis	May 31, 2011	$ 16,200
Hempstead, Texas	St. Louis	monthly lease	$ 19,200
Moline, Illinois	St. Louis	October 31, 2011	$ 47,408
San Leandro, California	Suisun City	July 31, 2011	$ 16,212
Suisun City, California (2)	Suisun City	February 28, 2011	$ 96,470
Lincoln, California	Suisun City	December 31, 2011	$ 44,640
Lincoln, California	Suisun City	April 30, 2012	$ 15,225
Reno, Nevada	Suisun City	May 31, 2011	$ 4,680
West Sacramento, California	Suisun City	July 31, 2010	$ 19,416
West Sacramento, California	Suisun City	October 31, 2013	$ 27,232
Trenton, New Jersey (3)	Trenton	May 1, 2011	$ 69,000
Brendale, Queensland, Australia	Australia	August 17, 2011	$ 31,209
South Brisbane, Australia	Australia	July 31, 2012	$ 57,940
Woombye, Queensland, Australia	Australia	December 1, 2010	$ 39,480

(1) We lease our Sarasota, Florida location from a trust, of which one of the former shareholders of the Sarasota Operations is the trustee.

(2) We lease our Suisun City, California location from a trust, of which Gary Walker, one of our Executive Vice Presidents, is the trustee.

(3) We lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of Voacolo Electric, Inc. (Trenton Operations) are the members.

We believe that our existing facilities are suitable and adequate to meet our current business requirements. We intend to renew leases expiring within the next twelve months at their current locations or at similar facilities in the same geographic locations.

ITEM 3 - LEGAL PROCEEDINGS

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

ITEM 4 – (REMOVED AND RESERVED)

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." For the period from May 1, 2008 to date, the following table sets forth the high and low sale prices of our common stock as reported by NASDAQ Global Market.

Period	High	Low
Fiscal Year Ended April 30, 2010:		
First Quarter	$ 3.53	$ 1.90
Second Quarter	4.38	2.53
Third Quarter	3.85	2.69
Fourth Quarter	3.90	2.98
Fiscal Year Ended April 30, 2009:		
First Quarter	$ 7.60	$ 5.25
Second Quarter	6.08	2.05
Third Quarter	3.38	1.63
Fourth Quarter	2.13	1.32

On July 20, 2010, the closing sale price of our common stock, as reported by the NASDAQ Global Market, was $2.60 per share. On July 20, 2010, there were 61 holders of record of our common stock, which does not include shares held in street name.

On November 24, 2008, we adopted a stock repurchase program of up to 2,000,000 shares of our common stock which expired on December 1, 2009. A total of 308,817 shares were purchased and retired by us at a total cost of $729,730 including transaction costs, or an average cost per common share of $2.36.

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.

Business Overview and Recent Developments

We are a global provider of design-build engineering services for communications infrastructure, with over 500 employees in ten operation centers on three continents. We provide our engineering capabilities including wireless communication, specialty construction and electrical power to a diversified customer base in the public services, healthcare, energy and corporate enterprise markets worldwide.

Historically, each of our wholly-owned subsidiaries has operated and was known primarily by our customers and vendors through a variety of subsidiary legal names, while our investors know us primarily by our "WPCS" name. In order to better serve our diversified customer base, we launched a key initiative in the third and fourth quarter of fiscal 2009 to brand each of our subsidiaries with the "WPCS" name. We believe this branding strategy positions our company to better pursue national contracts with existing customers, further develop our relationships with technology providers, improves our purchasing power and achieves certain cost reductions under one integrated name. This branding strategy included, among other things, changing our subsidiaries' legal names, company website, email, promotional and advertising materials and signage. The total cost for the branding initiative was $166,000 which was incurred during the fiscal years ended April 30, 2010 and 2009. In addition, by operating under one name we have consolidated certain operations to reduce administrative overhead expenses and improve operating efficiencies.

Furthermore, as part of our branding strategy and to better represent our comprehensive design-build engineering capabilities, we have reorganized our operating segments to correspond to our primary service lines: wireless communication, specialty construction and electrical power. As a result, certain reclassifications have been made to the prior year segment information to conform to the reorganized composition of our operating segments.

Wireless Communication

Throughout the community or around the world, in remote and urban locations, wireless networks provide the connections that keep information flowing. The design and deployment of a wireless network solution requires an in-depth knowledge of radio frequency engineering so that wireless networks are free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. WPCS has extensive experience and methodologies that are well suited to address these challenges for our customers. WPCS is capable of designing wireless networks and providing the technology integration necessary to meet goals for enhanced communication, increased productivity and reduced costs. We have the engineering expertise to utilize all facets of wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, WiMAX networks, point-to-point systems, mesh networks, microwave systems, cellular networks, in-building systems and two-way communication systems.

Specialty Construction

We offer specialty construction services for building design including the design and integration of mechanical, electrical, hydraulic and life safety systems in an environmentally safe manner. We work through all phases of the building design and construction to evaluate the design for cost, flexibility, efficiency, productivity and overall environmental impact.

Next, we have established capabilities in transportation infrastructure. In the developing world, urbanization has created increased mobility, placing great demands on transportation infrastructure. Governments are responding by making the construction of safe, efficient roads a priority. New systems are needed for traffic monitoring, traffic signaling, video surveillance and smart message signs to communicate information advisories. WPCS is providing design-build engineering services for these technologically advanced systems.

Lastly, world economies are growing, standards of living are improving and energy supplies are dwindling. It is a scenario that has accelerated the search for new energy sources and better ways of delivery existing supply. WPCS is contributing in both of these critical areas. We design and deploy alternative energy solutions in wind and solar power. Through a unique combination of scientific, geologic, engineering and construction expertise, we offer solutions in site design, solar installation, meteorological towers and wind turbine installation. In addition, we support energy companies as they maximize the efficiency of their energy supply infrastructure, by providing a range of services from pipeline trenching to the deployment of wireless solutions.

Electrical Power

Electrical power transmission and distribution networks built years ago often cannot fulfill the growing technological needs of today's end users. We provide complete electrical contracting services to help commercial and industrial facilities of all types and sizes to upgrade their power systems. Our capabilities include power transmission, switchgear, underground utilities, outside plant, instrumentation and controls. We provide an integrated approach to project coordination that creates cost-effective solutions. In addition, corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right electrical infrastructure, to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems and electrical networks. We support the integration of telecommunications, fire protection, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

For the fiscal year ended April 30, 2010, wireless communication represented approximately 28.5% of our total revenue, specialty construction represented approximately 14.2% of our total revenue and electrical power represented approximately 57.3% of our revenue. For the fiscal year ended April 30, 2009, wireless communication represented approximately 31.9% of our total revenue, specialty construction represented approximately 9.6% of our total revenue and electrical power represented approximately 58.5% of our revenue.

Industry Trends

We focus on markets such as public services, healthcare, energy and international which continue to show strong growth potential

· *Public services*. We provide communications infrastructure for public services which includes police, fire, emergency dispatch, utilities, education, military and transportation infrastructure. The public services sector is benefitting from the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) which has made funding available for state and local municipalities nationwide. Of the $787 billion in total funding, according to a July 2010 article by The New York Times, approximately $32 billion has been allocated for communications infrastructure projects to be completed over the next several years which fit our service capabilities.

· *Healthcare.* We provide communications infrastructure for hospitals and medical centers. In the healthcare market, according to an October 2008 report from Market Research, the aging population and the need to reduce labor costs through the implementation of advanced communications technology is driving projected expenditures of $3 billion per year over the next few years.

· *Energy*. We provide communications infrastructure for petrochemical, natural gas, electric utilities and alternative energy. The need to deliver basic energy more efficiently and to create new energy sources is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology which creates the demand for communications infrastructure. According to a July 2010 article by The New York Times, the ARRA legislation has allocated approximately $36 billion in funding for energy and conservation projects over the next few years which fit our service capabilities.

· *International*. We provide communications infrastructure internationally for a variety of companies and government entities. China is spending on building its internal infrastructure and Australia is upgrading their infrastructure. China is expecting a positive GDP growth rate of 10% per China's National Bureau of Statistics and Australia is expecting a positive GDP growth rate of 3% per the Australia Department of Foreign Affairs and Trade.

Current Operating Trends and Financial Highlights

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

· Over our past seven fiscal quarters, current economic conditions have adversely affected certain markets of our business, primarily related to the public services sector. General spending has slowed at the state and local government level due to a decrease in tax revenue and credit impediments. However, with the ARRA legislation, $32 billion has been set aside for public services communications infrastructure projects. Many states have received funding and are currently determining which projects to approve. We believe based on the level of our backlog and bid solicitations, that the demand for communications infrastructure engineering services remains high in this market and will continue over the next several years;

· In the healthcare market, we continue to receive bid requests and complete new projects, as the primary drivers in this market continue to be the need to provide healthcare infrastructure for an aging population and to cut costs in delivering healthcare. The ARRA legislation also provides $32 billion for healthcare infrastructure spending;

· In the energy market, we continue to receive bid requests and complete new projects as oil, gas, water and electric utility companies continue to upgrade their communications infrastructure, while in alternative energy the growth in wind and solar power development is expected to continue. The ARRA legislation also provides $36 billion for energy infrastructure spending;

· Two of our most important economic indicators for measuring our future revenue producing capability and demand for our services are our backlog and bid list. The protracted conversion of bid solicitations to backlog has been an obstacle for revenue growth during fiscal 2010. However, at April 30, 2010, our backlog of unfilled orders was approximately $49 million compared to backlog of approximately $38 million at April 30, 2009. Through the first six months of calendar 2010, we announced approximately $60 million in new contracts, which is more than the total amount of contracts announced for all of calendar 2009, which we believe will give us momentum to produce better earnings in the future;

· Our bid list, which represents project bids under proposal for new and existing customers, was approximately $131 million at April 30, 2010, compared to approximately $169 million at April 30, 2009. With the passage of the ARRA legislation in February 2009, during the fourth quarter of fiscal 2009 and the first nine months of fiscal 2010 we experienced a significant escalation in our bid list as a result of initial demand for ARRA funds from state and local governments. This increase in bids over the course of our fiscal year was not representative of our historical bid pattern. Although many projects requested ARRA funding, not all of these bids were going to be approved due to the prioritization of these initial bids. Immediately approved projects were converted to backlog, and those that were not approved were removed from the bid list, resulting in a decrease in the bid list over the past fiscal year. We believe our bid list at April 30, 2010 represents a more normal bid level and we expect our bids to remain in a range of $125 million to $150 million, while ARRA funding continues to be made available in the quarters ahead;

· We believe our design-build engineering focus for public services, healthcare, energy and corporate enterprise infrastructure will create additional opportunities both domestically and internationally. We believe that the ability to provide comprehensive communications infrastructure services including wireless communication, specialty construction and electrical power gives us a competitive advantage. We expect an increase in backlog in the future as a result of the current level of bid activity for communication infrastructure services in both project opportunities generated from the ARRA legislation and general projects from our diversified customer base. Our opportunity to obtain work related to the ARRA legislation depends on the timing of funding allocations and our ability to receive bid requests and be awarded new projects; however, we believe that our experience in performing work in each of these sectors will result in continued bid activity in the near future;

· We continue to focus on expanding our international presence in China and Australia, and we believe that these markets have not been impacted as much by recent economic conditions. In China, our focus is primarily in the energy market, and in Australia primarily on the corporate enterprise market. Our current international revenue annual run rate is approximately $11 million with our recent acquisition of Pride;

· Although we are focused on organic growth opportunities, we continue to search for acquisitions that increase our engineering capabilities, add to our customer base and expand our geographic scope. We continue to have a particular interest in expanding our international business; and

· We are maintaining a healthy balance sheet with approximately $27.0 million in working capital, and credit facility borrowings of approximately $5.6 million. The ratio of credit facility borrowings to working capital is approximately 21%. We believe this is an important measure of our current financial strength. We expect to use our working capital and remaining availability of approximately $9.4 million under the credit facility to fund our continued growth.

Results of Operations for the Fiscal Year Ended April 30, 2010 Compared to Fiscal Year Ended April 30, 2009

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as "we", "us" or the "Company". Domestic operations include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International - St. Louis, Inc. (St. Louis Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Sarasota, Inc. (Sarasota Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), and WPCS International – Portland, Inc. (Portland Operations). International operations include WPCS Asia Limited, Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd, WPCS International – Brisbane, Pty Ltd., WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively the Australia Operations).

Consolidated results for the years ended April 30, 2010 and 2009 were as follows.

	Years Ended April 30,			
	2010		2009	
REVENUE	$ 105,769,432	100.0%	$ 107,101,360	100.0%
COSTS AND EXPENSES:				
Cost of revenue	77,930,126	73.7%	78,334,115	73.2%
Selling, general and administrative expenses	23,454,081	22.2%	23,052,464	21.5%
Depreciation and amortization	2,729,882	2.6%	2,578,824	2.4%
Change in fair value of acquisition-related contingent consideration	125,092	0.1%	-	0.0%
Total costs and expenses	104,239,181	98.6%	103,965,403	97.1%
OPERATING INCOME	1,530,251	1.4%	3,135,957	2.9%
OTHER EXPENSE (INCOME):				
Interest expense	397,765	0.4%	421,022	0.4%
Interest income	(15,849)	(0.0%)	(53,947)	(0.1%)
INCOME BEFORE INCOME TAX PROVISION	1,148,335	1.0%	2,768,882	2.6%
Income tax provision	576,226	0.5%	989,027	0.9%
NET INCOME	572,109	0.5%	1,779,855	1.7%
Net (loss) income attributable to noncontrolling interest	(282,292)	(0.3%)	108,228	0.1%
NET INCOME ATTRIBUTABLE TO WPCS	$ 854,401	0.8%	$ 1,671,627	1.6%

Revenue

Revenue for the year ended April 30, 2010 was approximately $105,769,000, as compared to $107,101,000 for the year ended April 30, 2009. The decrease in revenue for the year was primarily attributable to a temporary slowdown in spending for public services projects at the state and local government level, resulting in reductions, delays or postponements of these projects, and a decrease in revenue from existing operations in our electrical power segment. This decrease was partially offset by an increase in revenue from the acquisitions of the Portland Operations and Pride, and organic growth from our specialty construction segment. For the years ended April 30, 2010 and 2009, there were no customers which comprised more than 10% of total revenue.

Wireless communication segment revenue for the years ended April 30, 2010 and 2009 was approximately $30,163,000 or 28.5% and $34,161,000 or 31.9% of total revenue, respectively. The decrease in revenue was due primarily to reductions, delays or postponements of projects at the state and local government level for public services projects.

Specialty construction segment revenue for the years ended April 30, 2010 and 2009 was approximately $15,050,000 or 14.2% and $10,298,000 or 9.6% of total revenue, respectively. The increase in revenue was primarily attributable to organic revenue growth of approximately 46% for specialty construction in fiscal 2010. The increase in organic growth is due to a project award of approximately $11.7 million which commenced in the third quarter of fiscal 2010. This project is expected to be completed by the end of the third quarter of fiscal 2011, and as a result, we expect the fiscal 2011 revenue in this segment to remain at levels consistent with fiscal 2010.

Electrical power segment revenue for the years ended April 30, 2010 and 2009 was approximately $60,556,000 or 57.3% and $62,642,000 or 58.5% of total revenue, respectively. The decrease in revenue was due primarily to a decrease in revenue from existing operations from the timing and completion of work on certain larger projects last year. This decrease was partially offset by an increase in revenue from the acquisitions of the Portland Operations and Pride.

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 $77,930,000 or 73.7% of revenue for the year ended April 30, 2010, compared to $78,334,000 or 73.2% for the prior year. The dollar decrease in our total cost of revenue is due to the corresponding decrease in revenue during the year ended April 30, 2010 as a result of the delays and postponements of projects at the state and local government level for public services projects. The 0.5% increase in cost of revenue as a percentage of revenue is due to the blend of project revenue attributable to our existing operations and recent acquisitions. Historically, over the past three fiscal years, our cost of revenue as a percentage of revenue was ranged from approximately 66% to 76%. The cost of revenue percentage is expected to vary depending on our mix of project revenue.

Wireless communication segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2010 and 2009 was approximately $22,696,000 and 75.2% and $24,198,000 and 70.8%, respectively. The dollar decrease in our cost of revenue is due to the corresponding decrease in revenue during the year ended April 30, 2010. The increase in cost of revenue as a percentage of revenue was due primarily to the revenue blend attributable to our existing operations and a cost overrun on a recently completed project.

Specialty construction segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2010 and 2009 was approximately $10,732,000 and 71.3% and $6,664,000 and 64.7%, 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, 2010. The increase as a percentage of revenue is due primarily to the blend of project revenue attributable to our existing operations.

Electrical power segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2010 and 2009 was approximately $44,502,000 and 73.5% and $47,472,000 and 75.8%, respectively. The dollar decrease in our cost of revenue is due to the corresponding decrease in revenue during the year ended April 30, 2010, primarily attributable to the delays and postponements of projects at the state and local government level for public services projects. The decrease as a percentage of revenue is due primarily to the blend of project revenue attributable to our existing operations.

Selling, General and Administrative Expenses

For the year ended April 30, 2010, total selling, general and administrative expenses were approximately $23,454,000, or 22.2% of total revenue compared to $23,052,000, or 21.5% of revenue for the prior year. The dollar increase in the selling, general and administrative expenses is due primarily to the acquisitions of Pride and the Portland Operations. Included in selling, general and administrative expenses for the year ended April 30, 2010 are $13,733,000 for salaries, commissions, payroll taxes and other employee benefits. The $429,000 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 Pride and the Portland Operations, partially offset by a decrease in the administrative overhead headcount from the consolidation of certain operations with the branding initiative. Professional fees were $1,502,000, which is primarily related to accounting, legal and investor relation fees, and also includes $102,000 in fees related to the completion of the Pride acquisition. Insurance costs were $2,486,000 and rent for office facilities was $1,087,000. Automobile and other travel expenses were $1,955,000 and telecommunication expenses were $607,000. Other selling, general and administrative expenses totaled $2,084,000. For the year ended April 30, 2010, total selling, general and administrative expenses for the wireless communication, specialty construction and electrical power segments were approximately $6,573,000, $2,295,000 and $11,194,000, respectively, with the balance of approximately $3,392,000 pertaining to corporate expenses.

For the year ended April 30, 2009, total selling, general and administrative expenses were approximately $23,052,000, or 21.5% of total revenue. Included in selling, general and administrative expenses for the year ended April 30, 2009 are $13,304,000 for salaries, commissions, payroll taxes and other employee benefits. Professional fees were $1,402,000, which include accounting, legal and investor relation fees. Insurance costs were $2,559,000 and rent for office facilities was $988,000. Automobile and other travel expenses were $1,956,000 and telecommunication expenses were $610,000. Other selling, general and administrative expenses totaled $2,233,000. For the year ended April 30, 2009, total selling, general and administrative expenses for the wireless communication, specialty construction and electrical power segments were approximately $8,306,000, $1,948,000 and $9,783,000, respectively, with the balance of $3,015,000 pertaining to corporate expenses.

Depreciation and Amortization

For the years ended April 30, 2010 and 2009, depreciation was approximately $2,064,000 and $1,783,000, respectively. The increase in depreciation is due to the purchase of property and equipment and the acquisition of fixed assets from recent acquisitions. The amortization of customer lists and backlog for the year ended April 30, 2010 was $666,000 as compared to $796,000 for the same period of the prior year. The net decrease in amortization was due primarily to certain customer lists and backlog being fully amortized in the current year compared to the prior year, partially offset by customer lists and backlog acquired from recent acquisitions. All customer lists are amortized over a period of three 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.

Change in Fair Value of Acquisition-Related Contingent Consideration

For the years ended April 30, 2010 and 2009, the change in fair value of acquisition-related contingent consideration was approximately $125,000 and $0, respectively. The change in fair value of acquisition-related contingent consideration is due to the non-cash expense recorded in the fiscal 2010 income statement for the change in present value of the future payments of acquisition-related contingent consideration for the Pride acquisition.

Interest Expense and Interest Income

For the years ended April 30, 2010 and 2009, interest expense was approximately $398,000 and $421,000, respectively. The decrease in interest expense is due to a reduction in interest rates on outstanding borrowings and a decrease in total borrowings on lines of credit compared to the year ended April 30, 2009.

For the years ended April 30, 2010 and 2009, interest income was approximately $16,000 and $54,000, respectively. The decrease in interest earned is due principally to the decrease in our cash and cash equivalent balance and to a decrease in interest rates, respectively, compared to the same period in the prior year.

Net Income Attributable to WPCS

The net income attributable to WPCS was approximately $854,000 for the year ended April 30, 2010. Net income was net of Federal, state and foreign income tax expense of approximately $576,000. The increase in the effective tax rate was due to permanent differences, including the $125,092 non-cash expense increase in the fair value of the acquisition-related contingent consideration not deductible for tax purposes, and federal income taxes due on state income tax refunds received. In addition, the rate increase is due to the difference between U.S. and foreign income tax rates, as foreign pre-tax losses provided less consolidated income tax benefit due to lower income tax rates than if tax-effected in the U.S.

The net income attributable to WPCS was approximately $1,672,000 for the year ended April 30, 2009. Net income was net of Federal, state and foreign income tax expense of approximately $989,000.

Liquidity and Capital Resources

At April 30, 2010, we had working capital of approximately $26,978,000, which consisted of current assets of approximately $44,689,000 and current liabilities of $17,711,000. Our working capital needs are influenced by our level of operations, and generally increase with higher levels of revenue. Our sources of cash in the last several years have come from operating activities and credit facility borrowings.

Operating activities provided approximately $2,376,000 in cash for the year ended April 30, 2010. The sources of cash from operating activities total approximately $6,910,000, comprised of approximately $572,000 net income, $2,905,000 in net non-cash charges, a $743,000 decrease in accounts receivable, a $685,000 decrease in prepaid expenses and other current assets, a $1,595,000 increase in accounts payable and accrued expenses and a $410,000 increase in income taxes payable. The uses of cash from operating activities total approximately $4,534,000, comprised of a $3,507,000 increase in costs and estimated earnings in excess of billings on uncompleted contracts, a $239,000 increase in inventory, a $754,000 decrease in billings in excess of costs and estimated earnings on uncompleted contracts, a $4,000 decrease in deferred revenue and a $30,000 increase in other assets. Net earnings adjusted for non-cash items provided cash of approximately $3,478,000 versus approximately $4,540,000 in fiscal 2009. Working capital utilized cash of approximately $1,102,000 in 2010 versus providing cash of approximately $498,000 in 2009. Working capital components utilized cash in fiscal 2010 reflecting higher levels of costs and estimated earnings in excess of billings on uncompleted contracts.

Our investing activities utilized approximately $3,197,000 in cash during the year ended April 30, 2010, which consisted of approximately $1,521,000 paid for property and equipment, and approximately $1,676,000 paid for the acquisitions of Pride and Portland, net of cash received.

Our financing activities utilized cash of approximately $112,000 during the year ended April 30, 2010. Financing activities included the distribution to noncontrolling interest of $89,000, and repayment of loan payables and capital lease obligations of approximately $197,000, offset by the proceeds from exercise of common stock of $30,000, and $144,000 in net borrowings from shareholders.

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

On April 10, 2010, we renewed our loan agreement (Loan Agreement) with Bank of America, N.A. (BOA), for three years under terms similar to the prior loan agreement with BOA, including the same customary covenants. The Loan Agreement provides for a revolving line of credit in an amount not to exceed $15,000,000, together with a letter of credit facility not to exceed $2,000,000. We also entered into a security agreement with BOA, pursuant to which we granted a security interest to BOA in all of our domestic assets and 65% of the capital stock of our Australia Operations. The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth and (ii) minimum interest coverage ratio. As of April 30, 2010, we are in compliance with all of its covenants. Borrowings bear interest at BOA's prime rate (currently 3.25%) or at the optional interest rate of LIBOR plus two hundred seventy-five basis points, an unused loan commitment fee of .0375%, and a one-time loan commitment fee of $25,000 paid at closing. As of April 30, 2010, the interest rate was 3.25% on outstanding borrowings of approximately $5,626,000 under the Loan Agreement. The loan commitment expires on April 10, 2013 and we may repay the loan at any time.

On April 15, 2010, we filed a registration statement on Form S-3 using a "shelf" registration process. Under this shelf registration process, we may offer up to 2,314,088 shares of our common stock, from time to time, in amounts and at prices and terms that we will determine at the time of the offering. Each share of our common stock automatically includes one right to purchase one one-thousandth of a share of Series D Junior Participating Preferred Stock, par value $0.0001 per share, which becomes exercisable pursuant to the terms and conditions set forth in a Rights Plan Agreement with Interwest Transfer Co., Inc., as amended from time to time. If we sell any securities, the net proceeds will be added to our general corporate funds and may be used for general corporate purposes. To date, no shares of our common stock have been issued under this shelf registration statement.

At April 30, 2010, we had cash and cash equivalents of approximately $5,584,000 and working capital of approximately $26,978,000. With internally available funds and funds available from the Loan Agreement, we believe that we have sufficient capital to meet our short term needs. The Loan Agreement expires on April 10, 2013 and has approximately $5,626,000 currently outstanding that will need to be repaid by that time, if not prepaid earlier.

The China Operations has outstanding loans due within the next twelve months to our joint venture partner, Taian Gas Group (TGG), of approximately $3,288,000. We expect to repay these borrowings from working capital and for TGG to renew any remaining unpaid loan balances in its continued support of the China Operations. 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 November 4, 2009, we acquired Pride. The purchase price represents an amount up to $3,408,913 of which $1,975,429 was paid upon closing. We will pay additional purchase price to the former Pride shareholders over each of the next two years based upon the achievement of future earnings before interest and taxes (EBIT) targets. This acquisition-related contingent consideration arrangement requires us to pay the former Pride shareholders $919,488 if Pride's EBIT for the twelve month period ending October 31, 2010 equals or exceeds $1,103,386 (the Target Amount) and another $919,488 if Pride's EBIT for the twelve month period ending October 31, 2011 equals or exceeds the Target Amount. In the event that Pride's EBIT is less than the Target Amount for either measuring period, such $919,488 payment will be reduced by the percentage of the shortfall between the actual EBIT and the Target Amount. The fair value of the acquisition-related contingent consideration was $1,433,483 as of the acquisition date and increased to $1,578,193 as of April 30, 2010, due primarily to the $125,092 non-cash expense recorded in the fiscal 2010 income statement for the change in the fair value of the contingent consideration from the change in present value of the future payments of this obligation as of the reporting date. This additional expense is not deductible for income tax purposes. We determined the fair value of the obligation to pay the contingent consideration based on the probability-weighted income approach, and is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in the Accounting Standards Codification. In addition, in completing the acquisition of Pride we incurred approximately $102,000 of acquisition-related professional fees which are included in selling, general and administrative expenses. Pride is an electrical and security services provider specializing in the commercial and government sectors and focuses on low voltage security installations, alarm systems, video surveillance and access controls. The acquisition of Pride provides further international expansion into Australia.

Backlog

As of April 30, 2010, we had a backlog of unfilled orders of approximately $48.6 million compared to approximately $38.4 million at April 30, 2009. 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 an executed 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:

<u>Use of Estimates</u>

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, acquisition-related contingent consideration 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 2010 and 2009 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 the Australia, Hartford, Lakewood, Portland, Sarasota, Seattle, St. Louis, Suisun City and Trenton Operations. 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.

All of the our reporting units had implied fair values that ranged from 14% to 324% in excess of their carrying values, except for one reporting unit which had an implied fair value that was 9% in excess of its carrying value. This reporting unit, which was acquired in fiscal 2008, carries a goodwill balance of approximately $4,500,000 and primarily provides electrical power services in public service and healthcare, for which management continues to maintain a positive performance outlook, as discussed in the "Current Operating Trends and Financial Highlights" of this section. Although the percentage by which this reporting unit's fair value exceeded it carrying value was not substantial in comparison to our other reporting units, management determined that this reporting unit was not reasonably likely to fail step one of the two step impairment test required by the Accounting Standards Codification, and as a result would not reasonably likely recognize a goodwill impairment in future periods that could materially impact our consolidated financial position, results of operations, cash flows or financial statement disclosures.

Additionally, we evaluated the reasonableness of the estimated fair value of our reporting units by reconciling to our market capitalization. This reconciliation allowed us to consider market expectations in corroborating the reasonableness of the fair value of our reporting units. In addition, we compared our market capitalization, including an estimated control premium that an investor would be willing to pay for a controlling interest in the company and the discount that our common stock trades at compared to our peer group of companies. The determination of a control premium and trading discount requires the use of judgment and is based primarily on comparable industry and deal-size transactions, related synergies and other benefits. Our market capitalization has declined as a result of market-driven factors in our stock trading price. This decline was consistent with overall market conditions and was not considered to be a result of changes in our expectations of future cash flows. Our reconciliation of the gap between our market capitalization and our aggregate fair value depends on various factors, some of which are qualitative and involve management judgment, including high backlog coverage of future revenue to generate future operating cash flow.

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 communications infrastructure. 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.

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

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

We have adopted the authoritative guidance issued by the FASB concerning the FASB Accounting Standards Codification (ASC)(Codification) as the source of authoritative accounting and reporting standards to be applied by nongovernmental entities to financial statements that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The FASB ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the FASB Codification did not have a material impact on our consolidated financial statements. The GAAP references in the accompanying consolidated financial statements reflect the FASB Codification.

On May 1, 2009, we adopted authoritative guidance issued by the FASB on business combinations. The guidance retains the fundamental requirements that the acquisition method of accounting (previously referred to as the purchase method of accounting) be used for all business combinations, but requires a number of changes, including changes in the way assets and liabilities are recognized and measured as a result of business combinations. It also requires the capitalization of in-process research and development at fair value and requires the expensing of acquisition-related costs as incurred. We applied this statement to account for the acquisition of Pride in November 2009.

On May 1, 2009, we adopted the authoritative guidance issued that changes the accounting and reporting for noncontrolling interests. Noncontrolling interests are to be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control are to be accounted for as equity transactions. In addition, net income attributable to a noncontrolling interest is to be included in net income and, upon a loss of control, the interest sold, as well as any interest retained, is to be recorded at fair value with any gain or loss recognized in net income. The adoption of this pronouncement had no impact on our consolidated financial position, results of operations or cash flows. However, we reclassified minority interest as noncontrolling interest, which is reported as a component of equity separate from our shareholders' equity in the condensed consolidated balance sheets. Additionally, the net (loss) income attributable to noncontrolling interest is presented separately on the face of the condensed consolidated statements of income to conform to this standard.

On May 1, 2009, we adopted FASB ASC Topic No. 815, "Derivatives and Hedging". This statement is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures. The adoption of this pronouncement had no impact on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

On May 1, 2009, we adopted FASB ASC Subtopic No. 815-40 "Contracts in Entity's Own Equity". The primary objective of this statement is to provide guidance for determining whether an equity-linked financial instrument or embedded feature within a contract is indexed to an entity's own stock, which is a key criterion of the scope exception to the standards of "Derivatives and Hedging." An equity-linked financial instrument or embedded feature within a contract that is not considered indexed to an entity's own stock could be required to be classified as an asset or liability and marked-to-market through earnings. This statement specifies a two-step approach in evaluating whether an equity-linked financial instrument or embedded feature within a contract is indexed to its own stock. The first step involves evaluating the instrument's contingent exercise provisions, if any, and the second step involves evaluating the instrument's settlement provisions. The adoption of this pronouncement had no impact on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

On May 1, 2009, we adopted FASB ASC Topic No. 855, "Subsequent Events". This statement established principles and requirements for subsequent events. It also details the period after the balance sheet date during which we should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events. The adoption of these standards did not have a material impact on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

In June 2009, the SEC issued Staff Accounting Bulletin No. 112 (SAB 112). SAB 112 revises or rescinds portions of the interpretative guidance included in the codification of SABs in order to make the interpretive guidance consistent with current U.S. GAAP. We do not expect the adoption of these standards to have a material impact on our consolidated financial statements.

In September 2009, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are not covered by software revenue guidance. This guidance provides another alternative for establishing fair value for a deliverable when vendor specific objective evidence or third-party evidence for deliverables in an arrangement cannot be determined. Under this guidance, companies will be required to develop a best estimate of the selling price for separate deliverables. Arrangement consideration will need to be allocated using the relative selling price method as the residual method will no longer be permitted. This guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and early adoption is permitted. We are currently evaluating the impact, if any, of this guidance 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."

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
WPCS International Incorporated

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2010 and 2009, and the related consolidated statements of income, comprehensive income, equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2010 and 2009, and their results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the new accounting standard for the reporting of noncontrolling interests effective May 1, 2009.

/ s / J.H. COHN LLP
Eatontown, NJ

July 29, 2010

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	April 30, 2010	April 30, 2009
		(Note 1)
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,584,309	$ 6,396,810
Accounts receivable, net of allowance of $206,617 and $155,458 at April 30, 2010 and April 30, 2009, respectively	26,011,955	25,662,784
Costs and estimated earnings in excess of billings on uncompleted contracts	8,859,056	5,229,043
Inventory	2,720,052	2,481,383
Prepaid expenses and other current assets	848,626	1,674,952
Prepaid income taxes	-	295,683
Deferred tax assets	666,000	95,808
Total current assets	44,689,998	41,836,463
PROPERTY AND EQUIPMENT, net	6,468,787	6,668,032
OTHER INTANGIBLE ASSETS, net	2,112,058	1,983,879
GOODWILL	34,919,384	32,549,186
OTHER ASSETS	162,858	132,948
Total assets	$ 88,353,085	$ 83,170,508

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND EQUITY		**April 30, 2010**		**April 30, 2009** (Note 1)
CURRENT LIABILITIES:				
Current portion of loans payable	$	63,683	$	89,210
Income taxes payable		107,417		-
Borrowings under line of credit		-		5,626,056
Current portion of capital lease obligations		81,950		96,001
Accounts payable and accrued expenses		10,962,016		8,997,296
Billings in excess of costs and estimated earnings on uncompleted contracts		1,853,131		2,511,220
Deferred revenue		503,502		507,650
Due to joint venture partner		3,288,294		2,951,008
Acquisition-related contingent consideration		851,516		-
Total current liabilities		17,711,509		20,778,441
Acquisition-related contingent consideration, net of current portion		726,677		-
Borrowings under line of credit		5,626,056		-
Loans payable, net of current portion		46,364		71,634
Capital lease obligations, net of current portion		69,961		151,425
Deferred tax liabilities		2,018,462		1,493,366
Total liabilities		26,199,029		22,494,866
COMMITMENTS AND CONTINGENCIES				
EQUITY:				
Preferred stock - $0.0001 par value, 5,000,000 shares authorized, none issued		-		-
Common stock - $0.0001 par value, 25,000,000 shares authorized, 6,954,766 and 6,942,266 shares issued and outstanding at April 30, 2010 and April 30, 2009, respectively		695		694
Additional paid-in capital		50,346,655		50,175,479
Retained earnings		10,235,590		9,381,189
Accumulated other comprehensive income (loss) on foreign currency translation		398,116		(425,883)
Total WPCS shareholders' equity		60,981,056		59,131,479
Noncontrolling interest		1,173,000		1,544,163
Total equity		62,154,056		60,675,642
Total liabilities and equity	$	88,353,085	$	83,170,508

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended April 30 2010	Years Ended April 30 2009
REVENUE	$ 105,769,432	$ 107,101,360
COSTS AND EXPENSES:		
Cost of revenue	77,930,126	78,334,115
Selling, general and administrative expenses	23,454,081	23,052,464
Depreciation and amortization	2,729,882	2,578,824
Change in fair value of acquisition-related contingent consideration	125,092	-
Total costs and expenses	104,239,181	103,965,403
OPERATING INCOME	1,530,251	3,135,957
OTHER EXPENSE (INCOME):		
Interest expense	397,765	421,022
Interest income	(15,849)	(53,947)
INCOME BEFORE INCOME TAX PROVISION	1,148,335	2,768,882
Income tax provision	576,226	989,027
NET INCOME	572,109	1,779,855
Net (loss) income attributable to noncontrolling interest	(282,292)	108,228
NET INCOME ATTRIBUTABLE TO WPCS	$ 854,401	$ 1,671,627
Basic net income per common share attributable to WPCS	$ 0.12	$ 0.23
Diluted net income per common share attributable to WPCS	$ 0.12	$ 0.23
Basic weighted average number of common shares outstanding	6,945,280	7,131,967
Diluted weighted average number of common shares outstanding	6,970,065	7,154,285

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended April 30	
	2010	**2009**
Net income	$ 572,109	$ 1,779,855
Other comprehensive income (loss) -		
Foreign currency translation adjustments, net of tax effects of $134,000 in 2010 and $- in 2009	823,686	(604,805)
Comprehensive income	1,395,795	1,175,050
Comprehensive (income) loss attributable to noncontrolling interest	282,605	(126,173)
Comprehensive income attributable to WPCS	$ 1,678,400	$ 1,048,877

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensive Income (Loss), net of taxes	WPCS Shareholders' Equity	Noncontrolling Interest	Total Equity
BALANCE, MAY 1, 2008	-	$ -	7,251,083	$ 725	$ 50,775,938	$ 7,709,562	$ 196,867	$ 58,683,092	$ 1,417,990	$ 60,101,082
Fair value of stock options granted to employees	-	-	-	-	134,240	-	-	134,240	-	134,240
Equity issuance cost	-	-	-	-	(5,000)	-	-	(5,000)	-	(5,000)
Repurchase of common stock	-	-	(308,817)	(31)	(729,699)	-	-	(729,730)	-	(729,730)
Accumulated other comprehensive loss	-	-	-	-	-	-	(622,750)	(622,750)	17,945	(604,805)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	108,228	108,228
Net income attributable to WPCS	-	-	-	-	-	1,671,627	-	1,671,627	-	1,671,627
BALANCE, APRIL 30, 2009	-	$ -	6,942,266	$ 694	$ 50,175,479	$ 9,381,189	$ (425,883)	$ 59,131,479	$ 1,544,163	$ 60,675,642

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY – CONTINUED

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensive Income (Loss), net of taxes	WPCS Shareholders' Equity	Noncontrolling Interest	Total Equity
BALANCE, MAY 1, 2009	-	$ -	6,942,266	$ 694	$ 50,175,479	$ 9,381,189	$ (425,883)	$ 59,131,479	$ 1,544,163	$ 60,675,642
Fair value of stock options granted to employees	-	-	-	-	141,551	-	-	141,551	-	141,551
Distributions to noncontrolling interest	-	-	-	-	-	-	-	-	(88,558)	(88,558)
Net proceeds from exercise of stock options	-	-	12,500	1	29,625	-	-	29,626	-	29,626
Accumulated other comprehensive income	-	-	-	-	-	-	823,999	823,999	(313)	823,686
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	(282,292)	(282,292)
Net income attributable to WPCS	-	-	-	-	-	854,401	-	854,401	-	854,401
BALANCE, APRIL 30, 2010	-	$ -	6,954,766	$ 695	$ 50,346,655	$ 10,235,590	$ 398,116	$ 60,981,056	$ 1,173,000	$ 62,154,056

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended April 30	
	2010	**2009**
OPERATING ACTIVITIES :		
Net income	$ 572,109	$ 1,779,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,729,882	2,578,824
Fair value of stock options granted to employees	141,551	134,240
Provision for doubtful accounts	170,981	131,743
Amortization of debt issuance costs	49,198	12,266
Change in the fair value of acquisition-related contingent consideration	125,092	-
Loss on sale of fixed assets	17,268	29,649
Deferred income taxes	(328,494)	(126,583)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	742,748	3,260,420
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,506,627)	(1,393,027)
Inventory	(239,039)	299,260
Prepaid expenses and other current assets	684,957	(514,494)
Other assets	(29,910)	560,890
Accounts payable and accrued expenses	1,594,416	(294,564)
Billings in excess of costs and estimated earnings on uncompleted contracts	(754,629)	(1,148,341)
Deferred revenue	(4,147)	(94,953)
Income taxes payable	410,198	(176,998)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,375,554	5,038,187

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS – CONTINUED

	Years Ended April 30 2010	2009
INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	(1,520,648)	(1,233,829)
Acquisition of businesses, net of cash received	(1,676,671)	(3,792,769)
NET CASH USED IN INVESTING ACTIVITIES	(3,197,319)	(5,026,598)
FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	29,626	-
Repurchase of common stock	-	(729,730)
Equity issuance costs	-	(5,000)
Borrowings under lines of credit	-	3,250,000
Repayments under lines of credit	-	(2,750,000)
Repayments of loans payable, net	(101,589)	(1,273,179)
Borrowings from joint venture partner	143,790	581,642
Repayments of capital lease obligations	(95,515)	(88,069)
Distribution to noncontrolling interest	(88,558)	-
NET CASH USED IN FINANCING ACTIVITIES	(112,246)	(1,014,336)
Effect of exchange rate changes on cash	121,510	(49,973)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(812,501)	(1,052,720)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	6,396,810	7,449,530
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 5,584,309	$ 6,396,810

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS – CONTINUED

	Years Ended April 30, 2010	Years Ended April 30, 2009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 397,768	$ 408,752
Income taxes	$ 487,932	$ 1,284,710
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of notes for property and equipment	$ -	$ 28,224

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

NOTE 1 - BASIS OF PRESENTATION

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". Domestic operations include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International - St. Louis, Inc. (St. Louis Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Sarasota, Inc. (Sarasota Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), and WPCS International – Portland, Inc. (Portland Operations). International operations include WPCS Asia Limited, Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd, WPCS International – Brisbane, Pty Ltd., WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively the Australia Operations).

The Company provides design-build engineering services that focus on the implementation requirements of communications infrastructure. The Company provides its engineering capabilities including wireless communication, specialty construction and electrical power to the public services, healthcare, energy and corporate enterprise markets worldwide.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance that establishes the Accounting Standards Codification (ASC) Topic No. 105, “Codification”, which confirmed that the FASB Accounting Standards Codification will become the single official source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force ("EITF") and related literature, and only one level of authoritative U.S. GAAP will exist. All other literature will be considered non-authoritative. The Codification does not change U.S. GAAP; instead, it introduces a new structure that is organized in an easily accessible, user-friendly online research system. The Codification became effective for interim and annual periods ending on or after September 15, 2009. The Company has applied the new Codification references in our consolidated financial statements.

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 a maturity at time of purchase of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces credit risk by placing its temporary cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federally insured limits. The Company reduces credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts based on its history of write-offs, current economic conditions and an evaluation of the credit risk related to specific customers. The Company does not require collateral in most cases, but may file claims against the construction project if a default in payment occurs.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $3,554,455 and $3,499,161 at April 30, 2010 and 2009, respectively.

Inventory

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

Property and Equipment

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

Goodwill and Other Intangible Assets

Goodwill represents the value of the Company's wholly-owned subsidiaries that are in excess of the fair value of identifiable net assets as of date of acquisition. Other intangible assets have finite useful lives and are comprised of customer lists and backlog.

Goodwill is tested annually for impairment, 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 of goodwill. The Company performed its annual impairment test as of April 30, 2010 and 2009 and determined that the goodwill was not impaired.

The Company determines the fair value of the businesses acquired (reporting units) for purposes of this test using the Income Approach, which utilizes a discounted cash flow model, as the Company believes that this approach best approximates the fair value of its reporting units. 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, 2010 and 2009.

All of the Company’s reporting units had implied fair values that ranged from 14% to 324% in excess of their carrying values, except for one reporting unit which had an implied fair value that was 9% in excess of its carrying value. This reporting unit, which was acquired in fiscal 2008, carries a goodwill balance of approximately $4,500,000 and primarily provides electrical power services in public service and healthcare, for which management continues to maintain a positive performance outlook. Although the percentage by which this reporting unit’s fair value exceeded it carrying value was not substantial in comparison to the Company’s other reporting units, management determined that this reporting unit was not reasonably likely to fail step one of the two step impairment test required by the Accounting Standards Codification, and as a result would not reasonably likely recognize a goodwill impairment in future periods that could materially impact the Company’s consolidated financial position, results of operations, cash flows or financial statement disclosures.

Additionally, the Company evaluated the reasonableness of the estimated fair value of its reporting units by reconciling to its market capitalization. This reconciliation allowed the Company to consider market expectations in corroborating the reasonableness of the fair value of its reporting units. In addition, the Company compared its market capitalization, including an estimated control premium that an investor would be willing to pay for a controlling interest in the Company and the discount that the Company’s common stock trades at compared to its peer group of companies. The determination of a control premium and trading discount requires the use of judgment and is based primarily on comparable industry and deal-size transactions, related synergies and other benefits. The Company’s market capitalization declined during the third quarter of fiscal 2009, and subsequently, as a result of market-driven declines in its stock trading price. This decline was consistent with overall market conditions and was not considered to be a result of changes in its expectations of future cash flows. The Company’s reconciliation of the gap between its market capitalization and the aggregate fair value of the Company depends on various factors, some of which are qualitative and involve management judgment, including high backlog coverage of future revenue and experience in meeting operating cash flow targets.

Effective May 1, 2009, in connection with the change in the structure of the Company's internal organization, the Company reclassified certain operations from the specialty construction segment to the electrical power segment. The reorganized composition of these two segments was completed in conjunction with the Company's branding strategy and to better represent the Company's design-build engineering capabilities. In addition, through this reorganization the Company consolidated certain operations to reduce administrative overhead expenses and improve operating efficiencies.

Goodwill through the years ended April 30, 2010 and 2009 consisted of the following:

	Wireless Communication	Specialty Construction	Electrical Power	Total
Beginning balance, May 1, 2008	$ 10,921,998	$ 2,800,272	$ 15,265,231	$ 28,987,501
Trenton Operations acquisition	-	-	2,500,000	2,500,000
Seattle Operations acquisition	-	-	6,353	6,353
St. Louis Operations acquisition	-	539,570	-	539,570
Suisun City Operations acquisition	-	-	81,366	81,366
Australia Operations acquisition	-	-	858,978	858,978
Portland Operations acquisition	-	-	17,888	17,888
Foreign currency translation adjustments	-	-	(442,470)	(442,470)
Beginning balance, May 1, 2009	$ 10,921,998	$ 3,339,842	$ 18,287,346	$ 32,549,186
Portland Operations acquisition	-	-	121,786	121,786
Australia Operations acquisitions	-	-	1,717,484	1,717,484
Foreign currency translation adjustments	-	-	530,928	530,928
Ending balance, April 30, 2010	$ 10,921,998	$ 3,339,842	$ 20,657,544	$ 34,919,384

At April 30, 2010, the total amount of goodwill expected to be deducted for tax purposes is $11,765,976 related to the Lakewood, Hartford, Sarasota, and St. Louis Operations acquisitions.

Other intangible assets consist of the following at April 30:

	Estimated useful life (years)	**April 30, 2010**	**2009**
Customer list	3-9	$ 4,423,580	$ 3,969,240
Less accumulated amortization		(2,426,541)	(2,084,302)
		$ 1,997,039	$ 1,884,938
Contract backlog	1-3	$ 1,135,244	$ 893,009
Less accumulated amortization		(1,020,225)	(794,068)
		$ 115,019	$ 98,941
Totals		$ 2,112,058	$ 1,983,879

Amortization expense for other intangible assets for the years ended April 30, 2010 and 2009 was approximately $666,000 and $796,000, respectively.

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

Year ending April 30,		
2011	$	568,552
2012		398,830
2013		397,939
2014		275,680
2015		186,985
Thereafter		284,072
Total	$	2,112,058

Revenue Recognition

The Company generates its revenue by providing design-build engineering services for communications infrastructure. The Company's design-build services report revenue pursuant to customer contracts that span varying periods of time. The Company reports revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

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

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

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

The Company also recognizes certain revenue from short-term contracts when 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

The Company has 168 union employees. A contract with 2 union employees for the St. Louis Operations expires on October 31, 2010. A contract with 11 union employees for the Portland Operations expires on December 31, 2010. A contract with 20 union employees for the Trenton Operations expires on May 31, 2011. A contract with 66 union employees for the Seattle Operations expires on May 31, 2011. A contract with 69 union employees for the Suisun City Operations expires on November 30, 2011. At April 30, 2010, 32% of the Company's labor force is subject to collective bargaining agreements, of which 8% will expire within one year.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. 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. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company performed a review for uncertainty in income tax positions in accordance with authoritative guidance. This review did not result in the recognition of any material unrecognized tax benefits. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. For the years ended April 30, 2010, and 2009, the Company recognized no interest or penalties, respectively. The Company's U.S. Federal, state and foreign income tax returns prior to fiscal years 2009, 2008, 2007 and 2006, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Earnings Per Common Share

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 exercise of 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, 2010 and 2009, respectively:

Basic earnings per share computation	**Years Ended April 30, 2010**	**2009**
Numerator:		
Net income attributable to WPCS	$ 854,401	$ 1,671,627
Denominator:		
Basic weighted average shares outstanding	6,945,280	7,131,967
Basic net income per common share attributable to WPCS	$ 0.12	$ 0.23

Diluted earnings per share computation	**Years Ended April 30, 2010**	**2009**
Numerator:		
Net income attributable to WPCS	$ 854,401	$ 1,671,627
Denominator:		
Basic weighted average shares outstanding	6,945,280	7,131,967
Incremental shares from assumed conversion:		
Conversion of stock options	24,785	22,318
Diluted weighted average shares	6,970,065	7,154,285
Diluted net income per common share attributable to WPCS	$ 0.12	$ 0.23

At April 30, 2010 and 2009, the Company had 597,605 and 629,952 stock options, respectively, and 1,883,796 warrants outstanding at April 30, 2009 which were potentially dilutive securities. For the year ended April 30, 2010, 450,439 options were not included in the computation of fully diluted earnings per common share. For the year ended April 30, 2009, 567,848 options and 1,883,796 warrants were not included in the computation of fully diluted earnings per common share. These potentially dilutive securities were excluded because the stock option or warrant exercise prices exceeded the average market price of the common stock, and therefore, the effects would be antidilutive.

Stock-Based Compensation Plans

The Company recorded stock-based compensation of $141,551 and $134,240 for the years ended April 30, 2010 and 2009, respectively.

At April 30, 2010, 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 $194,000 and is expected to be recognized over a weighted-average period of 2.0 years. For the years ended April 30, 2010 and 2009, the weighted average fair value of stock options granted was $1.38 and $1.10, respectively.

The Company has elected to adopt the shortcut method for determining the initial pool of excess tax benefits available to absorb tax deficiencies related to stock-based compensation. 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. Excess tax benefits related to share-based compensation are 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, 2010 and 2009, respectively:

	Years Ended April 30, 2010	2009
Average risk-free interest rate	1.47%	2.03%
Average expected volatility	60.1%	51.8%
Average expected dividend yield	0.00%	0.00%
Average expected term (in years)	3.50	3.25

The risk-free rate is based on the rate of U.S Treasury zero-coupon issues with a remaining term equal to the expected term of the option grants. Expected volatility is based on the historical volatility of the Company's common stock using the weekly closing price of the Company's common stock. The expected 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.

Noncontrolling Interest

Noncontrolling interest for the years ended April 30, 2010 and 2009 consists of the following:

	April 30, 2010	2009
Balance, beginning of year	$ 1,544,163	$ 1,417,990
Net (loss) income attributable to noncontrolling interest	(282,292)	108,228
Other comprehensive income (loss) attributable to noncontrolling interest	(313)	17,945
Distribution to noncontrolling interest	(88,558)	-
Balance, end of year	$ 1,173,000	$ 1,544,163

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, acquisition-related contingency consideration and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

On May 1, 2009, the Company adopted authoritative guidance issued by the FASB on business combinations. The guidance retains the fundamental requirements that the acquisition method of accounting (previously referred to as the purchase method of accounting) be used for all business combinations, but requires a number of changes, including changes in the way assets and liabilities are recognized and measured as a result of business combinations. It also requires the expensing of acquisition-related costs as incurred. The Company applied this statement to account for the acquisition of The Pride Group (QLD) Pty Ltd. in November 2009.

On May 1, 2009, the Company adopted the authoritative guidance issued that changes the accounting and reporting for noncontrolling interests. Noncontrolling interests are to be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control are to be accounted for as equity transactions. In addition, net income attributable to a noncontrolling interest is to be included in net income and, upon a loss of control, the interest sold, as well as any interest retained, is to be recorded at fair value with any gain or loss recognized in net income. The adoption of this pronouncement had no impact on the Company’s consolidated financial position, results of operations or cash flows. However, the Company reclassified minority interest as noncontrolling interest, which is reported as a component of equity separate from WPCS shareholders’ equity in the consolidated balance sheets. Additionally, the net income attributable to noncontrolling interest is presented separately on the face of the consolidated statements of income to conform to this standard.

On May 1, 2009, the Company adopted FASB ASC Topic No. 815 “Derivatives and Hedging”. This statement is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures. The adoption of this pronouncement had no impact on the Company’s consolidated financial position, results of operations, cash flows or financial statement disclosures.

On May 1, 2009, the Company adopted FASB ASC Subtopic No. 815-40 “Contracts in Entity’s Own Equity”. The primary objective of this statement is to provide guidance for determining whether an equity-linked financial instrument or embedded feature within a contract is indexed to an entity’s own stock, which is a key criterion of the scope exception to the standards of “Derivatives and Hedging.” An equity-linked financial instrument or embedded feature within a contract that is not considered indexed to an entity’s own stock could be required to be classified as an asset or liability and marked-to-market through earnings. This statement specifies a two-step approach in evaluating whether an equity-linked financial instrument or embedded feature within a contract is indexed to its own stock. The first step involves evaluating the instrument’s contingent exercise provisions, if any, and the second step involves evaluating the instrument’s settlement provisions. The adoption of this pronouncement had no impact on the Company’s consolidated financial position, results of operations, cash flows or financial statement disclosures.

On May 1, 2009, the Company adopted FASB ASC Topic No. 855, “Subsequent Events”. This statement established principles and requirements for subsequent events. It also details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. The adoption of this pronouncement did not have a material impact on the Company’s consolidated financial position, results of operations, cash flows or financial statement disclosures.

In June 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 112 (SAB 112). SAB 112 revises or rescinds portions of the interpretative guidance included in the codification of SABs in order to make the interpretive guidance consistent with current U.S. GAAP. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

In September 2009, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are not covered by software revenue guidance. This guidance provides another alternative for establishing fair value for a deliverable when vendor specific objective evidence or third-party evidence for deliverables in an arrangement cannot be determined. Under this guidance, companies will be required to develop a best estimate of the selling price for separate deliverables. Arrangement consideration will need to be allocated using the relative selling price method as the residual method will no longer be permitted. This guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and early adoption is permitted. The Company is currently evaluating the impact, if any, of this guidance 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

The Company has accounted for acquisitions under the purchase method of accounting through April 30, 2009 and the acquisition method for business combinations after such date. Assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent the purchase price consideration exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

Lincoln Wind LLC

On June 26, 2008, the Company acquired all the assets of Lincoln Wind LLC for aggregate consideration of $422,359 in cash, including acquisition transaction costs of $22,359. The assets of Lincoln Wind LLC were acquired pursuant to an Asset Purchase Agreement among the Company, Lincoln Wind LLC and the former member of Lincoln Wind LLC. Lincoln Wind LLC 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 LLC provides additional engineering services that specialize in the design of communication systems for the wind energy market, and these operations are included in the St. Louis Operations.

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:		
Property and equipment	$	139,970
Customer lists		30,000
Goodwill		252,389
Purchase price	$	422,359

BRT Electrical Pty Ltd. and The Pride Group (QLD) Pty Ltd.

On November 30, 2008, the Company acquired all the assets of BRT Electrical Pty Ltd (BRT) for aggregate consideration of $172,403 in cash, including acquisition transaction costs of $61,462. The assets of BRT were acquired pursuant to an Asset Purchase Agreement among Energize Electrical, the Company, BRT and the former shareholder of BRT. BRT is an electrical contractor specializing in low voltage applications including voice, data, security and energy management for commercial and building infrastructure companies.

On November 4, 2009, the Company acquired Pride. The purchase price represents an amount up to $3,408,913 of which $1,975,429 was paid upon closing. Additional purchase price will be paid by the Company to the former Pride shareholders over each of the next two years based upon the achievement of future earnings before interest and taxes (EBIT) targets. This acquisition-related contingent consideration arrangement requires the Company to pay the former Pride shareholders $919,488 if Pride's EBIT for the twelve month period ending October 31, 2010 equals or exceeds $1,103,386 (the Target Amount) and another $919,488 if Pride's EBIT for the twelve month period ending October 31, 2011 equals or exceeds the Target Amount. In the event that Pride's EBIT is less than the Target Amount for either measurement period, such $919,488 payment will be reduced by the percentage of the shortfall between the actual EBIT and the Target Amount. The fair value of the acquisition-related contingent consideration was $1,433,483 as of the acquisition date and increased to $1,578,193 as of April 30, 2010, due primarily to the $125,092 non-cash expense recorded in the fiscal year 2010 income statement for the change in the fair value of the contingent consideration from the present value of the future payments of this obligation as of the reporting date. This additional expense is not deductible for income tax purposes. The Company determined the fair value of the obligation to pay the contingent consideration based on the probability-weighted income approach, and is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in the Accounting Standards Codification. In addition, in completing the acquisition of Pride the Company incurred approximately $102,000 of acquisition-related professional fees which are included in selling, general and administrative expenses.

Pride was acquired pursuant to a Share Purchase Agreement among the Company and the former Pride shareholders. Pride is an electrical and security services provider specializing in the commercial and government sectors and focuses on low voltage security installations, alarm systems, video surveillance and access controls.

The acquisitions of BRT and Pride provide further international expansion into Australia. Both of these operations are included in our Australia Operations. For BRT and Pride, a valuation of certain assets and liabilities was completed, including property and equipment, list of major customers, and contingent consideration, 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:	Pride	BRT
Cash	$ 282,307	$ -
Accounts receivable	1,160,419	-
Inventory	67,582	4,328
Costs and estimated earnings in excess of billings	86,391	7,775
Property and equipment	260,749	37,820
Other assets	23,816	-
Deferred tax assets	64,664	-
Goodwill	1,715,734	122,480
Customer list	415,609	-
Backlog	218,838	-
	4,296,109	172,403
Liabilities assumed:		
Accounts payable	194,984	-
Billing in excess of costs and estimated earnings	82,876	-
Loans payable	50,277	-
Accrued expenses	231,934	-
Payroll and other payable	48,909	-
Sales and use tax payable	48,761	-
Income taxes payable	30,922	-
Deferred tax liabilities	198,533	-
	887,196	-
Purchase price	$ 3,408,913	$ 172,403

Midway Electric Company

On March 9, 2009, the Company acquired Midway Electric Company, which is our Portland Operations. The aggregate consideration paid by the Company, including acquisition transaction costs of $31,674, was $532,270 in cash. The Portland Operations was acquired pursuant to a Stock Purchase Agreement among the Company and the former shareholders, dated as of March 9, 2009. The acquisition of the Portland Operations expands our geographic presence in the Pacific Northwest and provides additional electrical contractor services in both high and low voltage applications for corporate enterprise, healthcare, state and local government and educational institutions.

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	$	93,247
Accounts receivable		86,555
Inventory		38,598
Prepaid expenses		14,969
Costs and estimated earnings in excess of billings		10,182
Property and equipment		205,615
Customer lists		12,000
Goodwill		139,674
		600,840
Liabilities assumed:		
Accounts payable		(30,841)
Accrued expenses		(6,255)
Payroll and other payable		(23,292)
Billings in excess of costs and estimated earnings		(3,249)
Capital lease obligation		(4,933)
		(68,570)
Purchase price	$	532,270

Pro forma Information

The following unaudited pro forma financial information presents the combined results of operations of the Company, Lincoln Wind, BRT, Pride and the Portland Operations for the years ended April 30, 2010 and 2009 as if the acquisitions had occurred at May 1, 2008. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, Lincoln Wind, BRT, Pride and the Portland Operations been operated as a single entity during these periods.

	Consolidated Pro Forma Years Ended April 30,			
	2010		2009	
Revenue	$	110,733,317	$	114,094,994
Net income attributable to WPCS	$	967,725	$	1,912,418
Basic weighted average shares		6,945,280		7,131,967
Diluted weighted average shares		6,970,065		7,154,285
Basic net income per share attributable to WPCS	$	0.14	$	0.27
Diluted net income per share attributable to WPCS	$	0.14	$	0.27

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. Although management believes it has established adequate procedures for estimating costs to complete on open contracts, additional costs could occur on contracts prior to completion. Costs and estimated earnings on uncompleted contracts consist of the following at April 30:

	2010	2009
Costs incurred on uncompleted contracts	$ 83,530,716	$ 66,056,622
Estimated contract profit	26,073,914	21,903,172
	109,604,630	87,959,794
Less: billings to date	102,598,705	85,241,971
Net excess of costs	$ 7,005,925	$ 2,717,823
Costs and estimated earnings in excess of billings	$ 8,859,056	$ 5,229,043
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,853,131)	(2,511,220)
Net excess of costs	$ 7,005,925	$ 2,717,823

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which circumstances requiring the revisions become known. During the fiscal year ended April 30, 2010, the effect of such revisions in estimated contract profits resulted in an increase to gross profit of approximately $525,000, from that which would have been reported had the revised estimates been used as the basis of recognition for contract profits in prior years. Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2010	2009
Furniture and fixtures	5-7	$ 312,139	$ 290,942
Computers and software	2-3	1,355,314	1,103,795
Office equipment	5-7	176,214	176,020
Vehicles	5-7	4,589,687	3,953,395
Machinery and equipment	5	6,511,524	5,833,969
Leasehold improvements	2-3	427,559	397,525
		13,372,437	11,755,646
Less accumulated depreciation and amortization		6,903,650	5,087,614
		$ 6,468,787	$ 6,668,032

Depreciation expense for property and equipment for the years ended April 30, 2010 and 2009 was approximately $2,064,000 and $1,783,000, respectively.

NOTE 6 – LONG-TERM DEBT

Lines of Credit

On April 10, 2010, the Company renewed the loan agreement (Loan Agreement) with Bank of America, N.A. (BOA) for three years under terms similar to the prior Loan Agreement, including the same customary covenants. The Loan Agreement provides for a revolving line of credit in an amount not to exceed $15,000,000, 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 its domestic assets and 65% of the capital stock of Australian Operation’s 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. As of April 30, 2010, the Company was in compliance with all of its covenants.

Borrowings bear interest at BOA’s prime rate (3.25% at April 30, 2010) or at the optional interest rate of LIBOR plus two hundred seventy-five basis points, an unused loan commitment fee of .0375%, and a one-time loan commitment fee of $25,000 due at closing. As of April 30, 2010, the interest rate was 3.25% on outstanding borrowings of approximately $5,626,000 under the Loan Agreement. The loan commitment shall expire on April 10, 2013, and the Company my repay the loan at any time.

Loans Payable

The Company's long-term debt also consists of notes issued by 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, 2010, loans payable and capital lease obligations totaled $261,958 with interest rates ranging from 0% to 12.67%. At April 30, 2009, loans payable and capital lease obligations totaled $408,207 with interest rates ranging from 0% to 12.67%.

Due to Joint Venture Partner

As of April 30, 2010, the China Operations had outstanding loans due to the joint venture partner, Taian Gas Group (TGG), totaling $3,288,294, of which $2,783,785 matures on December 31, 2010, and bears interest at 6.87%. The remaining balance of $504,509 is due on demand and represents interest accrued and working capital loans from TGG to the China Operations in the normal course of business. As of April 30, 2009, the China Operations had outstanding loans due to TGG which totaled $2,951,008.

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

Year ending April 30,	Loans Payable	Capital Lease	Due to Joint Venture Partner	Line of Credit	Total
2011	$ 63,683	$ 81,950	$ 3,288,294	$ -	$ 3,433,927
2012	35,095	54,496	-	-	89,591
2013	11,269	15,465	-	5,626,056	5,652,790
Total long-term debt	$ 110,047	$ 151,911	$ 3,288,294	$ 5,626,056	$ 9,176,308

NOTE 7 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of the Suisun City Operations, 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 Suisun City, California, which is occupied by its Suisun City Operation. For the years ended April 30, 2010 and 2009, the rents paid for this lease were $94,128 and $93,660, respectively.

In connection with the acquisition of the Sarasota Operations, the Company leases its Sarasota, Florida location from a trust, of which one of the former shareholders of the Sarasota Operations is the trustee. For the years ended April 30, 2010 and 2009, the rents paid for this lease were $55,714 and $54,091, respectively.

In connection with the acquisition of the Trenton Operations, the Company leases its Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of the Trenton Operations are the members. For the years ended April 30, 2010 and 2009, the rents paid for this lease were $66,000 and $60,000, respectively.

The China Operations revenue earned from TGG and subsidiaries is $388,845 and $76,210 for the years ended April 30, 2010 and 2009, respectively. The China Operations accounts receivable due from TGG and subsidiaries is $88,857and $171,393 as of the years ended April 30, 2010 and 2009, respectively.

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 no Company matching contributions made for the years ended April 30, 2010 and 2009, 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 $3,102,000 and $3,933,000 for the years ended April 30, 2010 and 2009, 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 April 30, 2010 and 2009 is summarized as follows:

Provision for income taxes:

	2010	2009
Current		
Federal	$ 855,000	$ 537,000
State	132,000	223,084
Foreign	(82,280)	355,526
Totals	904,720	1,115,610
Deferred		
Federal	(84,000)	15,000
State	(81,000)	(29,000)
Foreign	(163,494)	(112,583)
Totals	(328,494)	(126,583)
Total provision for income taxes	$ 576,226	$ 989,027

The actual provision for income taxes reflected in the consolidated statements of income for the years ended April 30, 2010 and 2009 differs from the provision computed at the Federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes are summarized as follows:

Reconciliation of statutory income tax rate:

	2010	2009
Expected tax provision at statutory rate (34%)	$ 390,000	$ 904,403
Rate differential between US statutory rate (34%) and foreign tax rates	78,000	(36,283)
State and local taxes, net of federal tax benefit	34,226	127,157
Tax on foreign dividend received	31,000	-
Section 199 permanent difference	(55,000)	(119,000)
Non deductible incentive stock option expense	37,000	-
Non deductible change in fair value of acquisition-related contingent consideration	43,000	-
Other permanent differences	18,000	112,750
Totals	$ 576,226	$ 989,027

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

Deferred taxes:

	2010	2009
Deferred tax assets:		
Allowance for doubtful accounts	$ 119,000	$ 38,000
Reserve for loss on work-in-progress	22,000	-
Net operating loss carryforward	390,000	32,000
Vacation accruals	74,000	78,000
Nonqualified stock options	11,000	-
Federal benefit for foreign tax credit	132,000	-
Deferred tax assets-current	748,000	148,000
Intangible assets	242,538	187,000
Property and equipment	14,000	5,634
Net operating loss carryforward	321,000	322,000
Valuation allowance	(321,000)	(268,000)
Deferred tax assets-long term	256,538	246,634
Deferred tax liabilities:		
Deferred revenue	(82,000)	(52,192)
Deferred tax liabilities-current	(82,000)	(52,192)
Property and equipment	(216,000)	(265,000)
Intangible assets	(458,000)	(375,000)
Goodwill	(1,468,000)	(1,100,000)
Cumulative translation adjustments	(133,000)	-
Deferred tax liabilities-long term	(2,275,000)	(1,740,000)
Net deferred tax liabilities	$ (1,352,462)	$ (1,397,558)

At April 30, 2010, the Company has net operating loss carryforwards for state tax purposes approximating $6,620,000 expiring through 2025. Due to the uncertainty of recognizing a tax benefit on these losses in certain states, the Company has provided a valuation allowance on the available net operating loss carryforwards of approximately $3,790,000 at April 30, 2010. At April 30, 2010, the Company has net operating loss carryforwards for Australian and Chinese tax reporting purposes approximating $115,000 and $705,000, respectively, expiring through 2014.

During fiscal year 2010, the Company changed its indefinite reversal assertion related to the unrepatriated earnings of the China Operations. At the time of change, the unrepatriated earnings of the China Operations was approximately $480,000, a portion of which was received by the Company as a dividend during fiscal 2010. As a result, the Company recorded $31,000 of additional Federal income taxes, net of U.S. Federal foreign tax credits. As of the fiscal year ended April 30, 2010, there was no deferred tax liability relating to the difference between the book and tax basis in the stock or unrepatriated earnings of the China Operations. Future unrepatriated earnings will be subject to future Federal income taxes and Chinese withholding taxes. Federal foreign tax credits may be available to offset some or all of such taxes.

Undistributed earnings of the Company's Australian subsidiaries were approximately $729,000 and $835,000 for the years ended April 30, 2010 and 2009, 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, if applicable. 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. These shares were registered under Form S-8. At April 30, 2010, options to purchase 242,500 shares were outstanding at exercise prices ranging from $2.37 to $6.33. At April 30, 2010, there were 145,000 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, 2010, options to purchase 286,952 shares were outstanding at exercise prices ranging from $6.14 to $12.10. At April 30, 2010, there were 41,472 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, 2010, options to purchase 68,153 shares were outstanding at exercise prices ranging from $2.37 to $12.10. At April 30, 2010, there were 205,997 shares available for grant under the 2002 Plan.

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, 2010 and April 30, 2009:

	Options Outstanding at April 30, 2010			Options Exercisable at April 30, 2010	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
$2.37 -$3.53	201,300	3.99	$2.76	49,450	$2.44
$5.70-$7.27	378,953	1.09	$6.20	330,085	$6.20
$8.79-$12.10	17,352	1.87	$10.54	13,652	$10.28
Totals	597,605	2.09	$5.17	393,187	$5.87

	Options Outstanding at April 30, 2009			Options Exercisable at April 30, 2009	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
$2.37 - $4.80	123,866	4.15	$2.59	9,966	$4.80
$5.25 - $7.27	485,484	1.78	$6.24	405,571	$6.24
$8.79 - $12.10	20,602	2.91	$10.65	11,035	$9.95
Totals	629,952	2.29	$5.67	426,572	$6.30

The following table summarizes stock option activity for the year ended April 30, 2010, during which there were 12,500 options exercised under the Company's stock option plans:

	2002 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2009	161,350	$ 6.28		
Granted	25,000	$ 3.08		
Exercised	-	$ 0.00		
Forfeited/Expired	(118,197)	$ 6.33		
Outstanding, April 30, 2010	68,153	$ 5.04	3.4	$ 10,327
Vested and expected to vest, April 30, 2010	63,896	$ 5.11	3.3	$ 9,751
Exercisable, April 30, 2010	25,470	$ 6.59	2.2	$ 3,605

	2006 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2009	288,602	$ 6.34		
Granted	-	$ 0.00		
Exercised	-	$ 0.00		
Forfeited/Expired	(1,650)	$ 9.49		
Outstanding, April 30, 2010	286,952	$ 6.32	0.5	$ -
Vested and expected to vest, April 30, 2010	286,848	$ 6.31	0.5	$ -
Exercisable, April 30, 2010	285,219	$ 6.28	0.5	$ -

	2007 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2009	180,000	$ 4.04		
Granted	75,000	$ 3.14		
Exercised	(12,500)	$ 2.37		
Forfeited/Expired	-	$ 0.00		
Outstanding, April 30, 2010	242,500	$ 3.85	3.6	$ 74,425
Vested and expected to vest, April 30, 2010	227,697	$ 3.86	3.6	$ 71,771
Exercisable, April 30, 2010	82,500	$ 4.21	3.2	$ 32,950

NOTE 11 - SHAREHOLDERS' EQUITY

Common Stock Purchase Warrants

In connection with the private placement of common stock on November 16, 2004, the Company issued common stock purchase warrants, exercisable for a period of five years at an exercise price of $6.99 per share. These warrants expired unexercised on November 16, 2009.

Stock Repurchase Program

On November 24, 2008, the Company adopted a stock repurchase program of up to 2,000,000 shares of the Company's common stock which expired on December 1, 2009. A total of 308,817 shares were purchased and retired by the Company at a total cost of $729,730 including transaction costs, or an average cost per common share of $2.36.

Stockholder Rights Plan

On February 24, 2010, the Company adopted a stockholder rights plan. The stockholder rights plan is embodied in the Rights Agreement dated as of February 24, 2010 (the Rights Agreement), between the Company and Interwest Transfer Co., Inc., the Rights Agent. In connection with the Rights Agreement, the Company declared a dividend of one preferred share purchase right (a Right) for each outstanding share of the Company's common stock to stockholders of record at the close of business on March 8, 2010. Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth (1/1000th) of a share of Series D Junior Participating Preferred Stock, $0.0001 par value (the Preferred Stock) at a purchase price of $15.00, subject to adjustment. The Rights will expire at the close of business February 24, 2020, unless earlier redeemed or exchanged by the Company. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights are not immediately exercisable. The Rights will initially trade only with the shares of the Company's common stock to which they are attached, and generally become exercisable only if a person or group becomes an Acquiring Person (as defined in the Rights Agreement) by accumulating beneficial ownership (as defined in the Rights Agreement) of 15% or more of the Company's outstanding common stock. If a person becomes an Acquiring Person, the holders of each Right (other than an Acquiring Person) are entitled to purchase shares of the Company's preferred stock or, in some circumstances, shares of the Acquiring Person's common stock, having a value equal to twice the exercise price of the Right, which is initially $15.00 per Right. The Rights Agreement provides that a person or group currently owning 15% or more of the Company's outstanding common stock will not be deemed to be an Acquiring Person if the person or group does not subsequently accumulate an additional 1% of the Company's outstanding common stock through open market purchases, expansion of the group or other means.

At any time prior to a person becoming an Acquiring Person, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.0001 per Right. The Rights Agreement requires a committee of independent directors to review and evaluate every five years whether the Rights Agreement remains in the best interests of the Company's stockholders.

Shelf Registration Statement

On April 15, 2010, the Company filed a registration statement on Form S-3 using a "shelf" registration process. Under this shelf registration process, the Company may offer up to 2,314,088 shares of its common stock, from time to time, in amounts, at prices, and terms that will be determined at the time of the offering. Each share of the Company's common stock automatically includes one right to purchase one one-thousandth of a share of Series D Junior Participating Preferred Stock, par value $0.0001 per share, which becomes exercisable pursuant to the terms and conditions set forth in the Rights Plan Agreement as described above. The net proceeds from securities sold by the Company will be added to our general corporate funds and may be used for general corporate purposes. To date, no shares of the Company's common stock have been issued under this shelf registration statement.

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. In order to better serve its diversified customer base, the Company launched a key initiative in fiscal 2009 to brand each of its subsidiaries with the "WPCS" name. As part of this branding strategy and to better represent the Company's design-build engineering capabilities, the Company reorganized its reportable segments to correspond with its primary service lines: wireless communications, specialty construction and electrical power. Management evaluates performance based upon income (loss) 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 segments. Corporate assets primarily include cash and prepaid expenses. Segment results for the years ended April 30, 2010 and 2009 are as follows:

	As of and for the Year Ended April 30, 2010				
	Corporate	Wireless Communications	Specialty Construction	Electrical Power	Total
Revenue	$ -	$ 30,163,641	$ 15,049,775	$ 60,556,016	$ 105,769,432
Depreciation and amortization	$ 58,080	$ 756,553	$ 724,731	$ 1,190,518	$ 2,729,882
Income (loss) before income taxes	$ (3,627,352)	$ 135,851	$ 1,103,033	$ 3,536,803	$ 1,148,335
Goodwill	$ -	$ 10,921,998	$ 3,339,842	$ 20,657,544	$ 34,919,384
Total assets	$ 4,611,746	$ 22,314,292	$ 16,261,059	$ 45,165,988	$ 88,353,085

	As of and for the Year Ended April 30, 2009				
	Corporate	Wireless Communications	Specialty Construction	Electrical Power	Total
Revenue	$ -	$ 34,161,062	$ 10,297,818	$ 62,642,480	$ 107,101,360
Depreciation and amortization	$ 31,683	$ 714,497	$ 726,064	$ 1,106,580	$ 2,578,824
Income (loss) before income taxes	$ (3,264,412)	$ 935,737	$ 802,793	$ 4,294,764	$ 2,768,882
Goodwill	$ -	$ 10,921,998	$ 3,339,842	$ 18,287,346	$ 32,549,186
Total assets	$ 3,321,263	$ 21,622,805	$ 13,104,159	$ 45,122,281	$ 83,170,508

As of and for the years ended April 30, 2010 and 2009, the specialty construction segment includes approximately $2,105,000 and $3,007,000 in revenue and $1,039,000 and $1,853,000 of net assets held in China related to the Company's 60% interest in the China Operations, respectively. As of and for the years ended April 30, 2010 and 2009, electrical power segment includes approximately $7,533,000 and $3,422,000 in revenue and $5,458,000 and $3,690,000 of net assets held in Australia related to the Company's Australia Operations, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment contracts ranging from one to five years with certain of its employees. The aggregate base salary commitments under these contracts at April 30, 2010 are summarized as follows:

Year Ending April 30,	
2011	$ 3,208,989
2012	2,505,066
2013	1,135,974
2014	575,000
2015	431,250
Total aggregate base salary commitments	$ 7,856,279

Litigation

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

Lease Commitments

The Company leases its office facilities pursuant to noncancelable operating leases expiring through April 2015. The Company also has noncancelable vehicle leases. The minimum rental commitments under these noncancelable leases at April 30, 2010 are summarized as follows:

Year ending April 30,		
2011		1,194,470
2012		619,227
2013		346,709
2014		186,541
2015		9,633
Thereafter		687
Total minimum lease payments	$	2,357,267

Rent expense for all operating leases was approximately $1,087,000 and $988,000 in 2010 and 2009, respectively.

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

None.

ITEM 9A – CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

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

Based on management's evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2010, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

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

There were no changes in our internal control over financial reporting that occurred during the quarter ended April 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of April 30, 2010. The effectiveness of our internal control over financial reporting as of April 30, 2010 has not been audited by J.H. Cohn, LLP, our independent registered public accounting firm. Pursuant to the recently passed Dodd-Frank Wall Street Reform and Consumer Protection Act, smaller reporting companies, like us, are exempt from the requirement that management's report be subject to an audit by an independent registered public accounting firm.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our directors and executive officers and their ages, titles, and biographies as of April 30, 2010 are set forth below:

NAME	AGE	OFFICES HELD
Andrew Hidalgo	54	Chairman, Chief Executive Officer and Director
Joseph Heater	46	Chief Financial Officer
Gary Walker	55	Executive Vice President
James Heinz	50	Executive Vice President
Myron Polulak	56	Executive Vice President
Jeffrey Voacolo	49	Executive Vice President
Norm Dumbroff	49	Director
Neil Hebenton	54	Director
William Whitehead	54	Director
Michael Doyle	55	Director

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected. Officers are elected annually and serve at the discretion of the Board of Directors. There is no family relationship between any of our executive officers or directors.

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, strategic initiatives and executive management team. 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. Mr. Hidalgo's experience with communications infrastructure services and his executive experience in operations, business development and mergers and acquisitions, including serving as our Chief Executive Officer, was instrumental in his selection as a member of our board of directors.

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. Prior to that, from March 1995 to November 1998, Mr. Heater was Director of Financial Planning and Assistant Corporate Controller for Airgas, Inc. Mr. Heater holds a B.S. from the University of Nebraska and an M.B.A. from Villanova University.

Gary Walker, Executive Vice President

Mr. Walker has been Executive Vice President since November 2009, and is responsible for the management and strategic development of designated operations. Mr. Walker became a director of WPCS in December 2002. Mr. Walker was a co-founder of Walker Comm, Inc. (Suisun City Operations) since acquisition by WPCS in December 2002, and president of the Suisun City Operations through October 2009. Prior to his involvement with the Suisun City Operations, Mr. Walker had a distinguished career with the U.S. Navy and also held an elected political position in Suisun City, California. He holds a B.A. in Business Management from St. Mary's College in Moraga, California. Mr. Walker's operational experience in designed-build engineering services was instrumental in his selection as a member of our board of directors.

James Heinz, Executive Vice President

Mr. Heinz has been Executive Vice President since April 2004 and is responsible for the management and strategic development of designated operations. Mr. Heinz was the founder of Heinz Corporation (St. Louis Operations) until its acquisition by WPCS in April 2004 and president of the St. Louis Operations to April 2007. Mr. Heinz has over twenty-five 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.

Myron Polulak, Executive Vice President

Mr. Polulak has been Executive Vice President since December 2008 and is responsible for the management and strategic development of designated operations. Mr. Polulak was a co-founder of New England Communications Systems, Inc. (Hartford Operations) since acquisition by WPCS in June 2006 and president of the Hartford Operations to April 2010. Mr. Polulak has over thirty years experience in the wireless industry with 30 years specifically dedicated to state and local government system design and sales. Mr. Polulak is a committee member of the Eastern Regional Motorola Service Station board, member of Associated Public Communications Organization and recent past chairman of Motorola National Service Advisory Council. Mr. Polulak holds a B.S. degree in marketing and business management from Seton Hall University, Orange, NJ.

Jeffrey Voacolo*, *Executive Vice President

Mr. Voacolo has been Executive Vice President since March 2010 and is responsible for the management and strategic development of designated operations. Mr. Voacolo was a co-founder of Voacolo Electric, Inc. (Trenton Operations) since acquisition by WPCS in March 2007 and president of the Trenton Operations to February 2010. Prior to Voacolo Electric, Mr. Voacolo had a distinguished career in the U.S. Navy, serving in the Naval Seabees as a construction electrician obtaining multiple electrical certificates.

Norm Dumbroff, Director

Mr. Dumbroff became a Director of WPCS in November 2002. Since April 1990, he has been the Chief Executive Officer of Wav Incorporated, a distributor of wireless products in North America. Prior to Wav Incorporated, Mr. Dumbroff was an engineer for Hughes Aircraft. He holds a B.S. degree in Computer Science from Albright College. Mr. Dumbroff's experience with wireless communications, his engineering background and his senior executive experience was instrumental in his selection as a member of our board of directors.

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. Mr. Hebenton's experience in international business development was instrumental in his selection as a member of our board of directors.

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. Mr. Whitehead's extensive experience as a senior financial executive and financial management consultant was instrumental in his selection as a member of our board of directors.

Michael Doyle, Director

Mr. Doyle became a director of WPCS in November 2008. He is the Founder and President of Broader Vision LLC. Mr. Doyle also serves as a member of the Board of Directors of RCH Cable (since February 2009), and non-profit Mommy's Light Lives on Fund (since 2003). Mr. Doyle has served as a key executive for Comcast Corporation from November 1983 until his retirement in 2009. He was most recently president of Comcast's Eastern Division, the largest division of Comcast Cable group from November 1983 until his retirement in January 2009. Mr. Doyle received a B.A. from Drew University. Mr. Doyle's operational and financial experience in the communications industry was instrumental in his selection as a member of our board of directors.

Meetings and Committees of the Board of Directors

During the fiscal year ended April 30, 2010, our board of directors held three meetings and approved certain actions by unanimous written consent. We expect our directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Audit Committee

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

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

Nominating Committee

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

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. Except as disclosed below, we believe that, during fiscal 2010, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

- A late Form 4 was filed by Donald Walker relating to the exercise of 6,250 options and the sale of such 6,250 shares issued upon exercise of the options.
- Form 4 reports were not filed by Andrew Hidalgo, Joseph Heater, Gary Walker and Jeffrey Voacolo relating to stock options granted in the amounts of 40,000, 20,000, 3,000 and 3,000, respectively. The options, except those issued to Jeffrey Voacolo, vest 33% on October 28, 2011, 33% on October 28, 2012 and 34% on October 28, 2012 at an exercise price of $3.14 per share. The options issued to Jeffrey Voacolo, vest 33% on March 23, 2011, 33% on March 23, 2012 and 34% on March 23, 2013 at an exercise price of $3.08 per share.

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
Michael Doyle, Chairman
Norm Dumbroff
Neil Hebenton
William Whitehead

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

The following discussion and analysis of compensation arrangements of our named executive officers for the fiscal year ended April 30, 2010 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 our achievements result from the combined and coordinated efforts of all employees working toward common goals and objectives in a competitive, evolving market place. The goals of our compensation program are to align remuneration with business objectives and performance and to enable us to retain and competitively reward executive officers and employees who contribute to our long-term success. In making executive compensation and other employment compensation decisions, the Executive Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee. Awards to executive officers are based on our achievement and individual performance criteria.

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

Compensation Program & Forms of Compensation

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

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

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

Bonuses. A component of each executive officer's potential annual compensation may take the form of a performance-based bonus. Contractually, our Executive Vice Presidents are entitled to receive an annual bonus range of 2-3% of the annual profit before interest and taxes of the designated subsidiaries assigned to him. Our CEO and CFO are entitled to an annual bonus, to be determined at the discretion of the Executive Committee, based on our financial performance and the achievement of the officer's individual performance objectives.

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

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

Executive Equity Ownership

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

Performance-Based Compensation and Financial Restatement

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

Tax and Accounting Considerations

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

Accounting for Stock-Based Compensation. We record compensation expense for the fair value of stock-based compensation.

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

Contract with Andrew Hidalgo

On February 1, 2010, we entered into a five-year employment contract with Andrew Hidalgo, our Chairman and Chief Executive Officer with a base salary of $325,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another five years from the anniversary date. 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 February 1, 2010, we entered into a five-year employment contract with Joseph Heater, our Chief Financial Officer with a base salary of $250,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another five years from the anniversary date. 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 Gary Walker

On November 1, 2009, we entered into a three-year employment contract with Mr. Walker with a base salary of $170,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another year 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 2.0% of the operating income of the of designated subsidiaries assigned by us.

Contract with James Heinz

On April 1, 2010, we entered into a three-year employment contract with Mr. Heinz with a base salary of $176,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another year 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 Myron Polulak

On December 1, 2008, we entered into a three-year employment contract with Mr. Polulak 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. Polulak 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. Polulak is entitled to receive an annual bonus of 3.0% of earnings before the deduction of interest and income taxes of designated subsidiaries assigned by us.

Contract with Jeffrey Voacolo

Effective March 1, 2010, we entered into a three-year employment contract with Mr. Voacolo with a base salary of $165,000 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. Voacolo 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. Voacolo is also entitled to the full-time use of an automobile owned or leased by us, for which we reimburse Mr. Voacolo for all maintenance and gasoline expenses associated with the use of the automobile. Mr. Voacolo is also entitled to receive an annual bonus of 3.0% of operating income, before the deduction of interest and income taxes of designated subsidiaries assigned by us.

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

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, the two highest paid executive officers and two other highest paid individuals whose total annual salary and bonus exceeded $100,000 for fiscal years 2010 and 2009.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($) (5)	All Other Compensation ($)	Total ($)
Andrew Hidalgo	2010	325,000	60,000	6,704	11,359 (6)	403,063
Chairman, Chief Executive Officer and Director (1)	2009	318,750	50,400	5,927	11,359 (6)	386,436
Joseph Heater	2010	250,000	45,000	3,352	-	298,352
Chief Financial Officer (2)	2009	245,417	36,000	2,963	-	284,380
James Heinz	2010	161,245	79,627	-	-	240,872
Executive Vice President (3)	2009	160,000	66,461	2,963	-	229,424
Donald Walker	2010	162,500	109,735	838	-	273,073
Senior Vice President (4)	2009	160,000	86,116	2,963	-	249,079

(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. Heinz has served as Executive Vice President since April 2, 2004.
(4) Mr. Walker has served as Senior Vice President of the Suisun City Operations since November 1, 2009.
(5) Represents the dollar amount of stock-based compensation expense recognized in fiscal 2010 and 2009 for stock option awards granted in fiscal 2010 and 2009 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.
(6) Represents lease payments for use of company-leased vehicle.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth information regarding the number of stock options granted to named executive officers during fiscal 2010.

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	10/28/09	40,000	3.14	55,183
Joseph Heater	10/28/09	20,000	3.14	27,591
Gary Walker	10/28/09	3,000	3.14	4,139
Jeffrey Voacolo	3/23/10	3,000	3.08	4,133

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, 2010.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Andrew Hidalgo	126,690	-	$6.14	10/13/2010
	12,500	12,500	$6.33	3/14/2013
	12,500	12,500	$2.37	10/10/2013
	-	40,000	$3.14	10/28/2014
Joseph Heater	63,345	-	$6.14	10/13/2010
	7,500	7,500	$6.33	3/14/2013
	6,250	6,250	$2.37	10/10/2013
	-	20,000	$3.14	10/28/2014
James Heinz	38,007	-	$6.14	10/13/2010
	2,500	2,500	$6.33	3/14/2013
	6,250	6,250	$2.37	10/10/2013
Gary Walker	2,500	2,500	$6.33	3/14/2013
	2,500	2,500	$2.37	10/10/2013
	-	3,000	$3.14	10/28/2014
Jeffrey Voacolo	167	333	$5.70	8/11/2013
	-	3,000	$3.08	3/23/2015
Myron Polulak	500	1,000	$6.33	3/4/2013

Director Compensation

The following table sets forth summary information concerning the total compensation paid to our non-employee directors in 2010 for services to our company.

Name	Fees Earned or Paid in Cash	Option Awards ($)	Total ($)
Norm Dumbroff (1)	11,000	4,140	15,140
Neil Hebenton (2)	11,000	4,140	15,140
William Whitehead (3)	11,000	4,140	15,140
Michael Doyle (4)	5,500	4,140	9,640
Total:	38,500	16,560	55,060

* Amounts represent the stock-based compensation expense recognized in fiscal 2010 for awards granted in fiscal 2010 and 2009 , 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) 32,820 options were outstanding as of April 30, 2010, of which 24,820 were exercisable as of April 30, 2010.

(2) 22,820 options were outstanding as of April 30, 2010, of which 14,820 were exercisable as of April 30, 2010.

(3) 32,820 options were outstanding as of April 30, 2010, of which 24,820 were exercisable as of April 30, 2010.

(4) 13,000 options were outstanding as of April 30, 2010, of which 10,000 were exercisable as of April 30, 2010.

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 20, 2010:

- 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	361,907	(4)	5.09%
Joseph Heater	77,095	(4)	1.10%
James Heinz	106,281	(4)	1.52%
Myron Polulak	500	(4)	*
Jeffrey Voacolo	167	(4)	*
Michael Doyle	10,000	(4)	*
Norm Dumbroff	95,654	(4)	1.37%
Neil Hebenton	14,820	(4)	*
Gary Walker	72,564	(4)	1.04%
William Whitehead	28,820	(4)	*
All Officers and Directors as a Group (10 persons)	767,808	(4)	10.50%
Bryant R. Riley			
11100 Santa Monica Blvd., Suite 800			
Los Angeles, California 90025	691,707	(5)	9.95 %

* 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 20, 2010 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(3) Percentage based on 6,954,766 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 20, 2010 or become exercisable within 60 days of that date: Andrew Hidalgo, 151,690 shares; Joseph Heater, 77,095 shares; James Heinz, 46,757 shares; Myron Polulak, 500 shares; Jeffrey Voacolo, 167 shares; Norm Dumbroff, 24,820 shares; Neil Hebenton, 14,820 shares; Gary Walker, 5,000 shares; William Whitehead, 24,820 shares; Michael Doyle, 10,000 shares; and all officers and directors as a group, 355,669 shares.

(5) As reported pursuant to a Schedule 13D/A filed with the Securities and Exchange Commission on April 12, 2010. Mr. Riley manages and owns all of the outstanding membership interests of Riley Investment Management LLC ("RIM"), a California registered investment adviser. RIM is the investment Adviser to and general partner of Riley Investment Partners, L.P. ("RIP"). RIM is the investment advisor to other clients pursuant to investment advisory agreements. Mr. Riley owns 93,099 shares owned by him and Carleen Riley. RIP owns 146,444 shares of our common stock and RIM has sole investment and voting power over 243,000 shares held in managed accounts. In addition, RIM has shared voting and dispositive power over 209,164 shares held by its investment advisory clients. RIM disclaims beneficial ownership of the non-affiliated 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, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
Equity compensation plan approved by board of directors (1)	68,153	$ 5.04	205,997
Equity compensation plan approved by security holders (2)	286,952	$ 6.32	41,472
Equity compensation plan approved by security holders (3)	242,500	$ 3.85	145,000
Total	597,605	$ 5.17	392,469

(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, 2010, included above in the 2002 Plan are 68,153 shares issuable upon exercise of options granted to employees and directors.

(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, 2010, 286,952 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, 2010, 242,500 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 the Suisun City Operations, we assumed a lease with a living trust established by Gary Walker, one of our executive vice presidents, who is the trustee and whose heirs are the beneficiaries of the trust. The lease is for a building and land located in Suisun City, California, which is occupied by our Suisun City Operations. 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, 2010 and 2009, the rents paid for this lease were $94,128 and $93,660, 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 July 19, 2006, we acquired the Sarasota Operations and we lease our Sarasota, Florida location from a trust, of which one of the former shareholders of the Sarasota Operations is the trustee. For the fiscal years ended April 30, 2010 and 2009, the rents paid for this lease were $55,714 and $54,091, 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.

We lease our Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of the Trenton Operations are the members. For the fiscal years ended April 30, 2010 and 2009, the rents paid for this lease were $66,000 and $60,000, 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.

In connection with the acquisition of the China Operations in fiscal 2007, our joint venture partner provided the office building for the China Operations rent free during the fiscal year ended April 30, 2010. We expect to enter into a lease with the joint venture partner in fiscal 2011.

As of April 30, 2010, the China Operations had outstanding loans due to our joint venture partner, Taian Gas Group (TGG), totaling $3,288,294, of which $2,783,785 matures on December 31, 2010, and bears interest at 6.87%. The remaining balance of $504,509 is due on demand and represents interest accrued and working capital loans from TGG to the China Operations in the normal course of business. The China Operations revenue earned from TGG and subsidiaries is $388,845 and $76,210 for the years ended April 30, 2010 and 2009, respectively. The China Operations accounts receivable due from TGG and subsidiaries is $88,857and $171,393 as of the years ended April 30, 2010 and 2009, respectively.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees. The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2010 and 2009, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were $378,975 and $423,464, respectively.

Audit Related Fees. We incurred fees to our independent auditors of $4,000 and $12,100, respectively, for audit related fees during the fiscal years ended April 30, 2010 and 2009. 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, 2010 and 2009.

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

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits:

3.01	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated’s registration statement on Form SB-2, filed April 7, 2006.
3.02	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated’s Current Report on Form 8-K, filed February 26, 2010.
3.03	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.
3.04	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.
3.05	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.
3.06	Certificate of Designation of Series D Junior Participating Preferred Stock, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated’s Current Report on Form 8-K, filed February 26, 2010.
4.01	Rights Agreement, dated as of February 24, 2010, between WPCS International Incorporated and Interwest Transfer Co., Inc., as Rights Agent, including the form of Certificate of Designations of Series D Junior Participating Preferred Stock, the forms of Right Certificate, Assignment and Election to Purchase, and the Summary of Rights attached thereto as Exhibits A, B and C, respectively, incorporated by reference to Exhibit 4.01 of WPCS International Incorporated’s Current Report on Form 8-K, filed February 26, 2010.
10.01	Loan Agreement, dated April 10, 1007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company., Inc., Southeastern Communication Service, Inc., and Walker Comm, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated’s amended current report on Form 8-K/A, filed April 17, 2007.
10.02	Security Agreement, dated April 10, 1007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company., Inc., Southeastern Communication Service, Inc., and Walker Comm, Inc., incorporated by reference to Exhibit 10.2 of WPCS International Incorporated’s amended current report on Form 8-K/A, filed April 17, 2007.
10.03	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.
10.04	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.
10.05	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.
10.06	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.

10.07	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.
10.08	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.
10.09	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.
10.10	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.
10.11	Amendment to Employment Agreement, dated as of June 1, 2008, by and between WPCS International Incorporated and Andrew Hidalgo, incorporated by reference to Exhibit 10.49 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2008.
10.12	Amendment to Employment Agreement, dated as of June 1, 2008, by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.50 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2008.
10.13	Amendment to Employment Agreement, dated as of May 1, 2009 by and between WPCS International Incorporated and Donald Walker, incorporated by reference to Exhibit 10.33 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2009.
10.14	Amendment to Employment Agreement, dated as of May 1, 2009 by and between WPCS International –Suisun City, Inc. and Gary Walker, incorporated by reference to Exhibit 10.34 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2009.
10.15	Form of Share Purchase Agreement, dated as of November 4, 2009, by and among WPCS Australia Pty Ltd., The Pride Group (QLD) Pty Ltd, Robin Edwin William Paynter, Peter Stewart McDonald, Nigel Kernick, Mark Stephen Eaton, Paynter Family Trust, ESF Trust and Mullane Family Trust, incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K, filed November 6, 2009.
10.16	Form of Escrow Agreement, dated as of November 4, 2009, by and among WPCS Australia Pty Ltd., The Pride Group (QLD) Pty Ltd, Robin Edwin William Paynter, Peter Stewart McDonald, Nigel Kernick, Mark Stephen Eaton, Paynter Family Trust, ESF Trust, Mullane Family Trust and Mullins Lawyers, incorporated by reference to Exhibit 10.2 of WPCS International Incorporated's Current Report on Form 8-K, filed November 6, 2009.
10.17	Employment Agreement, effective as of February 1, 2010, by and between WPCS International Incorporated and Andrew Hidalgo, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K, filed February 16, 2010.
10.18	Employment Agreement, effective as of February 1, 2010, by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K, filed February 16, 2010.
10.19	Employment Agreement, effective as of December 1, 2008, by and between WPCS International Incorporated and Myron Polulak, incorporated by reference to Exhibit 10.19 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2010.
10.20	Employment Agreement, effective as of November 1, 2009, by and between WPCS International Incorporated and Gary Walker, incorporated by reference to Exhibit 10.20 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2010.
10.21	Employment Agreement, effective as of March 1, 2010, by and between WPCS International Incorporated and Jeffrey Voacolo, incorporated by reference to Exhibit 10.21 of WPCS International Incorporated's Annual Report on Form 10-K, filed July 29, 2010.

10.22	Amendment No. 3 to Loan Documents dated April 10, 2010, by and among WPCS International Incorporated, Bank of America, WPCS International-Sarasota, Inc., WPCS International-St. Louis, Inc., WPCS International-Lakewood, Inc.,WPCS International-Suisun City, Inc., WPCS International-Hartford, Inc., WPCS International-Seattle, Inc., WPCS International-Trenton, Inc., and WPCS International-Portland, Inc., incorporated by reference to Exhibit 10.22 of WPCS International Incorporated's Annual Report on Form 10-K filed July 29, 2010.
14.01	Code of Ethics and Business Conduct, incorporated by reference to Exhibit 14 of WPCS International Incorporated's annual report on Form 10-KSB, filed August 14, 2003.
21.01	Subsidiaries of the registrant, filed herewith.
23.1	Consent of J.H. Cohn LLP, Independent Registered Public Accounting Firm.
31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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, 2010	By: /s/ ANDREW HIDALGO Andrew Hidalgo Chief Executive Officer (Principal Executive Officer)
Date: July 29, 2010	By: /s/ JOSEPH HEATER Joseph Heater Chief Financial Officer (Principal Accounting Officer)

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

Name	Position	Date
/s/ ANDREW HIDALGO Andrew Hidalgo	Chairman of the Board	July 29, 2010
/s/ MICHAEL DOYLE Michael Doyle	Director	July 29, 2010
/s/ NORM DUMBROFF Norm Dumbroff	Director	July 29, 2010
/s/ NEIL HEBENTON Neil Hebenton	Director	July 29, 2010
/s/ GARY WALKER Gary Walker	Director	July 29, 2010
/s/ WILLIAM WHITEHEAD William Whitehead	Director	July 29, 2010

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of December 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 Uwehian Avenue, Exton, PA 19341 ("Employer");

AND

MYRON POLULAK, an individual having an address at 427 Hayden Station Road, Windsor, CT 06095 ("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 I
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 Employer as defined 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 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 Employer.

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 a subsidiary an annual salary (the "Salary") of One Hundred Sixty Thousand Dollars ($160,000.00), 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 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 a 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 Employer. In addition, Employer shall reimburse Employee through a 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 a subsidiary an annual bonus equal to 3% (the "Bonus") of the consolidated annual operating income, before the deduction of interest and taxes of a designated subsidiary or subsidiaries as assigned by Employer. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of the designated subsidiary or subsidiaries, 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 1.11 this Agreement shall preclude Employee from devoting reasonable periods required for:

(a) Serving as a member or owner of any organization involving no conflict of interest with Employer, provided thatEmployee 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 notconflict 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 Employees 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 (I) 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 fOrther 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) failure to pay or provide required compensation and benefits;

(iii) any failure to appoint, elect or reelect him to the position of Executive Vice President of Employer or theremoval of him from such position;

(iv) 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;

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

(vi) 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;

(vii) 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 *nob 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. Such termination shall be effective upon receipt of the written notice.

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 De

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, BENEFITS, BENEFICIARIES

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies, benefit plans and vacation 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. 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 12
GENERAL PROVISIONS

No Waiver

12.1
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 thture breach.

Modification

12.2
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 Jurisdiction

12.3
This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, without regard **to any conflict-of-laws principles. Employer and** Employee hereby consent to personal jurisdiction before all courts in the State of Connecticut, and hereby acknowledge and agree that Connecticut is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

12.4
This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and supersedes any agreement prior to the Effective Date first above written. The parties agree that there are no inducements, promises, terms, conditions, or obligations made or entered into by Employer or Employee other than contained herein.

Severability, Headings and Assignment

12.5
All agreements and covenants contained herein are severable, and in the event any of them, with the exception of those contained in Articles I 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. The headings contained herein are for the convenience of reference and are not to be used in interpreting this Agreement. 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.

Independent Legal Advice

12.6
Employer has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice.

IN WITNESS WHEREOF the parties have executed this Agreement as of the Effective Date first above written.

Employer:	Employee:
By: /s/ Andrew Hidalgo	By: /s/ Myron Polulak
Andrew Hidalgo / CEO	Myron Polulak
WPCS International Incorporated	

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of November 2009 (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 Uwohlan Avenue, Exton, PA 19341 ("Employer");

AND

GARY WALKER, an individual having an address at 521 Railroad Avenue, Suisun City, CA 94585 ("Employee")

WHEREAS, Employee *has* agreed to continue to servo *as an* Employee of Employer, and Employer has agreed to hire Employee *as* such, pursuant to the **(011115** and conditions of this Employment Agreement (the "Agreement").

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

ARTICLE I
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, udder the direction and supervision of Employer as defined 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 Employer, as Employer may fl'om 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 Employer.

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 30'' 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 a subsidiary an annual salary (tho "Salary") of One Hundred Seventy Thousand Dollars ($170,000.00), 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 subsidiary to similarly situated employees on terms and conditions no loss 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 a 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 dill-time use of an automobile owned or teased by Employer. In addition, Employer shall reimburse Employee through a 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 a subsidiary an annual bonus equal to 2% (the "Bonus") of the consolidated annual operating income, before the deduction of interest and taxes of a designated subsidiary or subsidiaries as assigned by Employer. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of the designated subsidiary or subsidiaries, as calculated based on U.S. generally accepted accounting principles and as audited by the Employees 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 panics. The parties shall, within 20 days after appointment of the Arbitrator present their written position and related evidence with Tweet 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 S
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 dilution 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 or owner of any organization involving no conflict of interest with Employer, provided thatEmployee 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 notconflict 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 hem 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 hi 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 ail 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, atone 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 Nil information concerning any interest, direct or indirect, of Employee (as owner, shareholder, partner, tender 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 withany contractual relationship of any employee, agent, representative, contractor, supplier, vendor, customer, franchiser, 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 no 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 fill 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.

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 dale 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 shalt 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
It 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, BENEFITS, BENEFICIARIES

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies, benefit plans and vacation 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, 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 12
GENERAL PROVISIONS

No Waiver

12.1
No failure by either party to declare a default based on any breach by the other patty 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

12.2
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 Jurisdiction

12.3
This Agreement shall be governed by and construed In accordance with the laws of the State of California, without regard to *any* conflict-of-Jaws principles. Employer and Employee hereby consent to personal jurisdiction before all courts in *Rio State* of California, and hereby acknowledge and agree that California is and shall be the most proper forum to bring a complaint before a court of law.

Entire Agreement

12.4
This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and supersedes any agreement prior to the Effective Date first above written. The parties agree that there are no inducements, promises, terms, conditions, or obligations made or entered Into by Employer or Employee other than contained herein.

Severability, Headings and Assignment

12.5
AU agreements and covenants contained herein are severable, and in the event *any* of thorn, with the exception of those contained in Articles I 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. The headings contained heroin are for the convenience of reference and are not to be used in interpreting this Agreement. 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.

Independent Legal Advice

12.6
Employer has obtained legal advice concerning this Agreement and has requested that Employee obtain independent legal advice.

IN WITNESS WHEREOF the parties have executed this Agreement as of the Effective Date first above written.

Employer:	Employee:
/s/ Andrew Hidalgo	/s/ Gary Walker
Andrew Hidalgo CEO	Gary Walker
WPCS International Incorporated	

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of the 1st day of March 2010 (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

JEFFREY VOACOLO, an individual having an address at 65 Patterson Avenue, Trenton, NJ 08610 ("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 of the Employer 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 Employer as defined 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 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 maybe, subject to the control of Employer.

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 an annual salary (the "Salary") of One Hundred, Sixty-Five Thousand Dollars ($165,000.00), 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 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 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 Employer. In addition, Employer shall reimburse Employee 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 an annual bonus equal to 3% (the "Bonus") of the consolidated annual operating income, before the deduction of interest and taxes of a designated subsidiary or subsidiaries as assigned by Employer. The amount of the Bonus shall be determined based upon the operating income reported in the financial statements of the designated subsidiary or subsidiaries, 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 tight 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 or owner 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 (I) 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) failure to pay or provide required compensation and benefits;

(iii) any failure to appoint, elect or reelect him to the position of Executive Vice President of the Employer or the removal of him from such position;

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

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

(vi) 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;

(vii) 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) 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. Such termination shall be effective upon receipt of *the* written notice.

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, BENEFITS, BENEFICIARIES

Except as otherwise provided herein, Employee's employment shall be subject to the personnel policies, benefit plans and vacation 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. 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 12
GENERAL PROVISIONS

No Waiver

12.1
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

12.2
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 Jurisdiction

12.3
This Agreement shall be governed by and construed in accordance with the *laws* of the state and country where the Employee maintains a permanent address, without regard to any conflict-of-laws principles. Employer and Employee hereby consent to personal jurisdiction before all courts in such state and country, and hereby acknowledge and agree that to be the most proper forum to bring a complaint before a court of law.

Entire Agreement

12.4
This Agreement embodies the whole agreement between the parties hereto regarding the subject matter hereof and supersedes any agreement prior to the Effective Date first above written. The parties agree that there are no inducements, promises, terms, conditions, or obligations made or entered into by Employer or Employee other than contained herein.

Several:ditty, headings and Assignment

12.5
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. The headings contained herein are for the convenience of reference and are not to be used in interpreting this Agreement. 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.

Independent Legal Advice

12.6
Employer has obtained legal advice concerning this Agreement and has requested that.Employee obtain independent legal advice.

IN WITNESS WHEREOF the parties have executed this Agreement *as* of the Effective Date first above written.

Employer:

By: /s/Andrew Hidalgo
Andrew Hidalgo, CEO
WPCS International Incorporated

Employee:

By: /s/ Jeffrey Voacolo
Jeffrey Voacolo

Exhibit 10.22

Bank of America

AMENDMENT NO. 3 TO LOAN DOCUMENTS

This Amendment No. 3 to Loan Documents (this "Amendment") dated as of April 10, 2010, Is by and among BANK OF AMERICA, N.A. (the "Bank") and WPCS INTERNATIONAL INCORPORATED, a Delaware corporation (WPCS"), WPCS INTERNATIONAL SARASOTA, INC. (formerly SOUTHEASTERN COMMUNICATION SERVICES INC.), a Florida corporation ("Sarasota"), WPCS INTERNATIONAL – ST. LOUIS, INC. (formerly HEINZ CORPORATION), a Missouri corporation ("St. Louis"), WPCS INTERNATIONAL – LAKEWOOD, INC. (formerly QUALITY COMMUNICATIONS & ALARM CO, INC.), a New Jersey corporation ("Lakewood" WPCS INTERNATIONAL – SUISUN CITY, INC. (formerly WALKER COMM INC., a California corporation ("Suisun"), WPCS INTERNATIONAL – HARTFORD, INC. (formerly NEW ENGLAND COMMUNICATIONS SYSTEMS, INC.), a Connecticut corporation ("Hartford"), WPCS INTERNATIONAL –SEATTLE, INC, (formerly MAJOR ELECTRIC INC), a Washington corporation ("Seattle"), WPCS INTERNATIONAL – TRENTON, INC. (formerly VOACOLO ELECTRIC INC.), a New Jersey corporation ("Trenton"), and WPCS INTERNATIONAL PORTLAND, INC., an Oregon corporation ("Portland" and together with WPCS, Sarasota, Lakewood, St Louis, Suisun, Hartford, Seattle, and Trenton, the "Borrowers and each individually a "Borrower").

RECITALS

A. The Bank and the Existing Borrowers entered into a certain Loan Agreement dated as of April 10, 2007, as amended on March 21, 2008, August 7, 2008 and June 30, 2009 (as amended, the "Loan Agreement").

B. The Bank and the Borrowers desire to amend the Loan Agreement and the other loan documents executed In connection therewith (the "Loan Documents") to extend the term of the Loan Agreement and to provide for amended financing rates.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Loan Agreement.

2. Amendments:

(a) Section 1.2 of the Loan Agreement Is hereby amended to extend the Facility Termination Data from April 10, 2010 to April 10, 2013.

(b) Section 1.4(a) of the Loan Agreement is hereby amended as follows:

"(a) The interest rate Is a rate per year equal to the Bank's Prime Rate plus zero percentage point(s)."

(c) Section 1.5(a) of the Loan Agreement is hereby amended as follows:

"(a) The LIBOR Rate plus two hundred seventy-five basis point(s)."

(d) Section 3.1(a) of the Loan Agreement Is amended as follows;

"(a) Unused Commitment Fee. The Borrowers agree to pay a fee on any difference between the Facility Commitment and the amount of credit it actually uses, determined by the average of the daily amount of credit outstanding during the specified period, The fee will be calculated at 0.375% per year. The calculation of credit outstanding shall Include the undrawn amount of letters of credit.

Of this fee, 0.09376% is due on April SO, 2010, and on each subsequent July 31, October 31, January 31 and April 30 until the expiration of the availability period."

3. Representations and Warranties. When each Borrower signs this Amendment, such Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Loan Agreement or the other Loan Documents except those events, If any, that have been disclosed in writing to the Bank or waived in writing by the Bank; (b) the representations and warranties In the Loan Agreement and the other Loan Documents are true as of the date of this Amendment as if made on the date of this Amendment; (c) this Amendment does not conflict with any law, agreement, or obligation by which such Borrower is bound; (d) this Amendment is within such Borrower's powers, has been duly authorized, and does not conflict with any of such Borrower's organizational documents and such Borrower's organizational documents have not been changed from those previously delivered to the Bank; and (a) this Amendment , the Loan Agreement and the other Loan Documents are the legal, valid and binding obligations of such Borrower.

4. Conditions Precedent. This Amendment will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

(a) This Amendment duly executed by each of the Borrowers; and

(b) Payment of a commitment fee of $25,000 and payment of all outstanding legal fees,

5. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Loan Agreement and the other Loan Documents shall remain in full force and effect.

6. Release. In consideration of the Bank's agreement to enter into this Amendment and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower on behalf of itself and all persons or entities claiming by, through, or under it (collectively, the "Releasors") do hereby unconditionally remise, release and forever discharge the Bank, its parent, subsidiaries, affiliated companies, past and present stockholders, partners, officers, directors, employees, agents, attorneys, divisions, participants, predecessors, successors and assigns (the "Releasees") from any and all manner of actions, causes of action, suite, claims, counterclaims, crossclaims, defenses and demands whatsoever, arising from any and all debts, demands, proceedings, agreements, contracts, Judgments, damages, accounts, reckonings, executions, controversies, claims, liabilities, and facts whatsoever, whether contingent or fixed, liquidated or unliquidated, at law or at equity, if any, which the Releasors ever had, now have, and/or hereafter, may have against the Reteasees, for or by reason of any cause, matter or thing whatsoever, which claims or matters relate or pertain to, whether directly or indirectly, this Amendment or any aspect of the foregoing, This provision shall survive termination of this Amendment,

7. Counterparts. This Amendment may be executed In counterparts, each of which when so executed shall be deemed an original, but all such counterparts together shall constitute but one and the same Instrument,

8. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

The parties have executed this Amendment as of the date stated at the beginning of this Amendment, Intending to be legally bound.

BANK

BANK OF AMERICA, N.A.

By: /s/

BORROWER(S):

WPCS INTERNATIONAL - SARASOTA, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - ST. LOUIS, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - LAKEWOOD, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - SUISUN CITY, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - HARTFORD, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - TRENTON, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

WPCS INTERNATIONAL - PORTLAND, INC.

By: /s/ Joseph A. Heater
Joseph A. Heater
Chief Financial Officer

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Subsidiary Name	State or Country of Incorporation
Taian AGS Pipeline Construction Co. Ltd	China
The Pride Group (QLD) Pty Ltd	Australia
WPCS Asia Limited	China
WPCS Australia Pty Ltd	Australia
WPCS Incorporated	Pennsylvania
WPCS International – Brendale, Pty Ltd.	Australia
WPCS International – Brisbane, Pty Ltd.	Australia
WPCS International – Hartford, Inc.	Connecticut
WPCS International – Lakewood, Inc.	New Jersey
WPCS International – Portland, Inc.	Oregon
WPCS International – Sarasota, Inc.	Florida
WPCS International – Seattle, Inc.	Washington
WPCS International – St. Louis, Inc.	Missouri
WPCS International – Suisun City, Inc.	California
WPCS International – Trenton, Inc.	New Jersey

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-165927 on Form S-3 and No. 333-158232 and No. 333-128488 on Form S-8 of our report dated July 29, 2010, relating to the consolidated financial statements of WPCS International Incorporated and Subsidiaries, which report expressed an unqualified opinion and appears in this Annual Report on Form 10-K of WPCS International incorporated and Subsidiaries for the year ended April 30, 2010.

By: /s/ J.H. Cohn LLP

J.H. Cohn LLP
Eatontown, New Jersey
July 29, 2010

CERTIFICATION

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

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

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

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 reasonable 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 controls over financial reporting.

Date: July 29, 2010

/s/ ANDREW HIDALGO
Andrew Hidalgo
Chief Executive Officer

Exhibit 31.02

CERTIFICATION

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

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

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

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 reasonable 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 controls over financial reporting.

Date: July 29, 2010

/s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer

Exhibit 32.01

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

I, Andrew Hidalgo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ ANDREW HIDALGO
Date: July 29, 2010	Name:	Andrew Hidalgo
	Title:	*Chief Executive Officer*

I, Joseph Heater, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ JOSEPH HEATER
Date: July 29, 2010	Name:	Joseph Heater
	Title:	*Chief Financial Officer*