

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB/A

Amendment No. 1

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2003  
-----

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from to  
-----

Commission file number: 0-26277  
-----

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

Delaware 98-0204758  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

140 South Village Avenue  
Suite 20  
Exton, Pennsylvania 19341

(Address of principal executive offices)

(610) 903-0400  
-----

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,  
if changed since last report)

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 past 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant filed all documents and  
reports required to be filed by Section 12, 13 or 15(d) of the Securities  
Exchange Act of 1934 after the distribution of securities under a plan confirmed  
by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the registrant's classes  
of common equity, as of the latest practicable date: 20,135,690 shares issued  
and outstanding as of December 8, 2003.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

I N D E X

PART I. FINANCIAL INFORMATION  
<TABLE>  
<CAPTION>  
<S>

ITEM 1. Condensed consolidated balance sheets at October 31, 2003  
(unaudited) and April 30, 2003

<C>

3 -

4

Condensed consolidated statements of operations for the three  
and six months ended October 31, 2003 and 2002 (unaudited)

5

Condensed consolidated statement of shareholders' equity for the six  
months ended October 31, 2003 (unaudited)

6

2

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

ASSETS	October 31, 2003	April 30, 2003
	-----	-----
	(UNAUDITED)	
<b>CURRENT ASSETS:</b>		
<S>	<C>	<C>
Cash and cash equivalents .....	\$ 1,228,964	\$ 167,547
Accounts receivable, net of allowance of \$16,696 and \$11,779 at October 31, 2003 and April 30, 2003, respectively .....	5,425,705	2,397,236
Costs and estimated earnings in excess of billings on uncompleted contracts .....	835,613	408,194
Inventory .....	94,248	77,775
Prepaid expenses .....	206,538	143,113
Income taxes receivable .....	104,765	--
Deferred tax assets .....	50,000	70,000
	-----	-----
Total current assets .....	7,945,833	3,263,865
PROPERTY AND EQUIPMENT .....	934,299	647,951
CUSTOMER LISTS .....	445,000	499,000
GOODWILL .....	7,771,633	5,388,882
OTHER ASSETS .....	74,030	21,528
	-----	-----
Totals .....	\$ 17,170,795	\$ 9,821,226
	=====	=====

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

</TABLE>

3

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

<TABLE>  
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	October 31, 2003	April 30, 2003
	-----	-----
	(UNAUDITED)	
<b>CURRENT LIABILITIES:</b>		
<S>	<C>	<C>
Accounts payable and accrued expenses .....	\$ 2,841,356	\$ 1,278,443
Billings in excess of costs and estimated earnings on uncompleted contracts .....	1,283,471	215,819
Current maturities of capital lease obligations .....	2,294	2,294
Current maturities of equipment loans payable .....	20,946	21,268
Note payable, officer .....	100,000	100,000
Due to shareholders .....	1,423,415	58,207
Income taxes payable .....	219,500	23,700
Deferred income taxes, current portion .....	196,100	129,000

Total current liabilities .....	6,087,082	1,828,731
Capital lease obligations, net of current maturities .....	3,489	4,608
Equipment loans payable, net of current maturities .....	41,166	--
Deferred income taxes, net of current portion .....	427,700	527,000
Total Liabilities .....	6,559,437	2,360,339
COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Preferred Stock - \$0.0001 par value, 5,000,000 shares authorized		
Common Stock - \$0.0001 par value, 30,000,000 shares authorized, 20,135,690 and 13,078,844 shares issued and outstanding at October 31, 2003 and April 30, 2003, respectively .....		
Additional paid-in capital .....	2,015	1,308
Accumulated deficit .....	11,264,146	8,002,639
	(654,803)	(543,060)
Total shareholders' equity .....	10,611,358	7,460,887
Totals .....	\$ 17,170,795	\$ 9,821,226

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

</TABLE>

4

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

Ended	Three Months Ended		Six Months
	October 31,		October
	<C>	<C>	<C>
	2003	2002	2003
REVENUE	\$ 6,225,834	\$ 213,359	\$ 9,322,317
606,482			
COSTS AND EXPENSES:			
Cost of Revenue	4,610,888	170,919	6,640,134
474,096			
Selling, General and administrative expenses, including \$57,655 and \$129,965 of non-cash compensation expense for the three and six months ended October 31, 2003, respectively	1,439,755	207,684	2,525,054
396,746			
Provision for doubtful accounts	23,658	26,285	23,658
26,285			
Depreciation and amortization	90,532	1,542	154,214
3,085			
Total costs and expenses	6,164,833	406,430	9,343,060
900,212			
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	61,001	(193,071)	(20,743)
(293,730)			
Provision for income taxes	(50,000)	-	(91,000)
-			
NET INCOME (LOSS)	11,001	(193,071)	(111,743)
(293,730)			
Imputed dividends accreted on Convertible Series B Preferred stock (173,000)	-	-	-

NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS (466,730)	\$	11,001	\$	(193,071)	\$	(111,743)	\$
=====							
Basic net income (loss) per common share (0.05)	\$	0.00	\$	(0.02)	\$	(0.01)	\$
=====							
Fully diluted net income per common share -	\$	0.00	-	-	-	-	-
=====							
Basic weighted average number of common shares outstanding 8,689,620		19,332,911		9,025,632		16,292,833	
=====							
Fully diluted weighted average number of common shares outstanding 8,689,620		22,160,779		9,025,632		16,292,833	
=====							

The accompanying notes are an integral part of these condensed consolidated financial statements  
</TABLE>

5

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED OCTOBER 31, 2003  
(UNAUDITED)

<TABLE>  
<CAPTION>

TOTAL	PREFERRED STOCK		COMMON STOCK		ADDITIONAL	ACCUMULATED
SHAREHOLDERS'	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN	(DEFICIT) /
EQUITY					CAPITAL	EARNINGS
	-----	-----	-----	-----	-----	-----
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE MAY 1, 2003 \$ 7,460,887	1,000	\$ -	13,078,844	\$ 1,308	\$8,002,639	\$ (543,060)
Conversion of Series C Preferred Stock to common stock	(1,000)	-	1,786,000	179	(179)	-
Issuance of common stock through private placement 2,206,826	-	-	4,444,400	445	2,206,381	-
Issuance of common stock, Acquisition of Clayborn Contracting Group, Inc. 867,768	-	-	826,446	83	867,685	-
Fair value of stock options granted to nonemployees 187,620	-	-	-	-	187,620	-
NET LOSS (111,743)	-	-	-	-	-	(111,743)
-----						
BALANCE, OCTOBER 31, 2003 \$ 10,611,358	-	\$ -	20,135,690	\$ 2,015	\$11,264,146	\$ (654,803)
=====						

The accompanying notes are an integral part of these condensed consolidated  
financial statements.  
</TABLE>

6

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

<TABLE>  
<CAPTION>

Six Months Ended

	October 31,	
	2003	2002
OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net loss .....	\$ (111,743)	\$ (293,730)
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Depreciation and amortization .....	154,214	3,085
Provision for doubtful accounts .....	23,658	26,285
Fair value of stock options granted to non-employees .....	187,620	--
Deferred income taxes .....	(146,000)	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable .....	(2,476,322)	(66,068)
Costs and estimated earnings in excess of billings on		
uncompleted contracts .....	(195,857)	--
Inventory .....	(16,473)	2,331
Prepaid expenses .....	(16,854)	(2,559)
Deferred tax asset .....	20,000	
Other assets .....	(1,404)	--
Accounts payable and accrued expenses .....	1,220,892	(42,792)
Billings in excess of costs and estimated earnings on		
uncompleted contracts .....	1,058,783	--
Income taxes payable .....	195,800	--
NET CASH USED IN OPERATING ACTIVITIES .....	(103,686)	(373,448)
INVESTING ACTIVITIES:		
Acquisition of property and equipment .....	(16,383)	--
Acquisition of Clayborn, net of cash received .....	(810,933)	
Acquisition earn-out and other transaction costs .....	(69,521)	--
NET CASH USED IN INVESTING ACTIVITIES .....	(896,837)	--
FINANCING ACTIVITIES:		
Cash received in reverse acquisition .....	--	3,257
Repayment of advances to shareholders .....	--	(20,743)
Proceeds from sale of preferred stock .....	--	455,000
Proceeds from issuance of common stock .....	2,206,826	--
Repayment of equipment loans payable .....	(143,767)	
Payments of capital lease obligations .....	(1,119)	(1,014)
NET CASH PROVIDED BY FINANCING ACTIVITIES .....	2,061,940	436,500
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	1,061,417	63,052
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD .....	167,547	15,554
CASH AND CASH EQUIVALENTS, END OF PERIOD .....	\$ 1,228,964	\$ 78,606

The accompanying notes are an integral part of these condensed consolidated financial statements  
</TABLE>

7

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-continued  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Six Months Ended October 31,	
	2003	2002
<S>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
INFORMATION:		
Cash paid during the period for:		
Interest .....	\$ 9,452	\$ 220
Income taxes .....	\$ 24,858	\$ 190
SCHEDULE OF NON-CASH INVESTING AND FINANCING		
ACTIVITIES:		
Issuance of 64 shares of Series B preferred stock		
as payment of advances from shareholder and		
accounts payable .....	\$ --	\$ 64,000
Imputed Series B preferred stock dividend attributable to a		
beneficial conversion feature .....	\$ --	\$ 173,000
Conversion of Series C preferred stock to common stock ....	\$ 179	\$ --

Issuance of common stock in connection with acquisition of Clayborn .....	\$ 867,768	\$ --
Earn-out consideration unpaid relating to acquisitions ....	\$1,423,415	\$ --

The accompanying notes are an integral part of these condensed consolidated financial statements  
</TABLE>

8  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-QSB and do not include all of the information and footnote disclosures required by accounting principles generally accepted in the United States of America. Accordingly, the unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2003. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals), which are, in the opinion of the management, considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods. Operating results for the three and six month periods ended October 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2004. Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

The accompanying unaudited condensed consolidated financial statements include the accounts of WPCS International Incorporated ("WPCS") and its wholly-owned subsidiaries, WPCS Incorporated, Invisinet Inc. ("Invisinet") from November 13, 2002 (date of acquisition), Walker Comm Inc. ("Walker") from December 30, 2002 (date of acquisition), and Clayborn Contracting Group, Inc. from August 22, 2003 (date of acquisition) collectively the "Company". For the three months ended October 31, 2002, the statement of operations, shareholders' equity and cash flows are that of WPCS Holdings, Inc. ("Holdings"), the accounting acquirer of the business of Phoenix Star Ventures, Inc. ("PSVI") as explained below.

The Company is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. The Company provides a range of specialty communications services including project management, site design, structured cabling, product integration, network security, and technical support.

On May 17, 2002, PSVI a publicly held "shell company", became the legal acquirer of Holdings by issuing 5,500,000 shares of its common stock to the shareholders of Holdings in exchange for all of the outstanding common shares of Holdings. The former shareholders of Holdings, immediately after the business combination, owned the majority of the combined companies. Accordingly, the business combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, Holdings is the accounting acquirer and PSVI is the accounting acquiree. The consolidated financial statements of the Company include the accounts of PSVI since its acquisition. The cost of the acquisition approximated the fair value of the net assets of PSVI that were acquired and, accordingly, assets, liabilities and the outstanding preferred stocks of PSVI were initially recorded at historical carrying values.

9  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION-(Continued)

On May 24, 2002, PSVI's principal shareholder returned 500,000 shares of its common stock to the Company, without compensation. Subsequently, these common shares were retired and cancelled.

On November 13, 2002, the Company acquired all of the outstanding shares of Invisinet from its shareholders in exchange for an aggregate of 1,000,000 newly issued shares of the Company's common stock. An additional 150,000 shares of the Company's common stock were to be issued to a shareholder, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, the Company and the shareholder mutually agreed to cancel the issuance of bonus shares, and in exchange, issued options to purchase 300,000 shares of the Company's common stock.

On December 30, 2002, the Company acquired all of the outstanding shares of

Walker in exchange for an aggregate of 2,486,000 newly issued shares of the Company's common stock and \$500,000 cash consideration. An additional \$500,000 is payable contingent upon Walker achieving certain net profits, to be paid in quarterly distributions equal to 75% of net income, which would increase the purchase price. Through October 31, 2003, \$381,622 has been charged to goodwill relating to this earn-out provision.

On August 22, 2003, the Company acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 826,446 newly issued shares of the Company's common stock and \$900,000 cash consideration. An additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post-tax profits of Clayborn.

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

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

Goodwill

Effective May 1, 2002, the Company adopted Statement of Financial Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. In accordance with the guidelines of this accounting standard, goodwill and indefinite-lived intangible assets are no longer amortized but are assessed for impairment on at least an annual basis. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

SFAS No. 142 requires that goodwill be tested for impairment upon adoption and at least annually thereafter, 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 would be 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.

10

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company determined the fair value of the businesses acquired for purposes of this test primarily by using a discounted cash flow valuation technique. Significant estimates used in the valuation include estimates of future cash flows, both future short-term and long-term growth rates, and estimated cost of capital for purposes of arriving at a discount factor. On an ongoing basis, the Company expects to perform its annual impairment test during the fourth quarter absent any interim impairment indicators.

A summary of the activity in the Goodwill account for the six months ended October 31, 2003 is as follows:

Beginning balance, May 1, 2003	\$5, 388,882
Clayborn acquisition	2,048,022
Walker earn out provision	323,415
Transaction costs	11,314
	-----
Ending balance, October 31, 2003	\$7,771,633
	=====

Revenue recognition

The Company generates its revenue by providing project engineering and deployment services for specialty communications systems, including wireless fidelity (WiFi) and fixed wireless systems. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements.

The Company records profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. The Company includes in operations pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when the Company determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Company has numerous contracts that are in various stages of completion.

Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, 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.

Earnings (Loss) Per Share

Earnings (Loss) per common share is computed pursuant to SFAS No. 128, "Earnings Per Share" ("EPS"). Basic income (loss) per share is computed as net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common stock issuable through stock options and warrants. At October 31, 2003, the Company had 8,089,375 stock options and warrants outstanding. For the three months ended October 31, 2003, 225,000 stock options were not included in the computation of fully diluted earnings per share, because the stock options exercise price exceeded the average market price of the common stock and, therefore, the effect would be antidilutive. The remaining 7,864,375 stock options and warrants were included in fully diluted earnings per share, which assumed a conversion of dilutive stock options and warrants totaling 2,827,868.

11  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 2 - SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenues 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 and life of customer lists. Actual results could differ from those estimates.

NOTE 3- ACQUISITION

On August 22, 2003, the Company completed a merger with Clayborn Contracting Group, Inc, a California corporation ("Clayborn"). The acquisition of Clayborn gives the Company expertise in engineering and deployment services for specialty communications and additional wireless opportunities to pursue.

The aggregate consideration paid by the Company for Clayborn was approximately \$2,919,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for \$900,000 cash consideration and \$45,000 of transaction costs, and 826,446 newly issued shares of the Company's common stock with a fair value of approximately \$868,000 based on the average value of the Company's common stock as of a few days before and after the merger terms were agreed to and announced. An additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn. Based on the preliminary information currently available, the acquisition resulted in goodwill of approximately \$2,048,000. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or other intangible assets.

The acquisition of Clayborn was accounted for under the purchase accounting method of accounting in accordance with SFAS No. 141, "Business Combinations." Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill and (or) other intangible assets are recorded to the extent the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the merger.

12  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

The preliminary purchase price allocation has been calculated as follows:

Assets purchased:	
Cash	\$ 134,218
Accounts receivable	575,804
Costs in excess of billings	231,562
Income taxes receivable	104,765
Fixed assets	370,180
Other assets	97,669
Goodwill	2,048,022
	-----



	3,562,220
	-----
Liabilities assumed:	
Accounts payable	(294,992)
Accrued expenses	(55,898)
Notes payable	(184,611)
Deferred tax liability	(113,800)
	-----
	(649,301)
	-----
Purchase price	\$ 2,912,919
	=====

The following unaudited pro forma financial information presents the combined results of operations of the Company and Clayborn, as if the acquisition had occurred on May 1, 2003 and 2002, after giving effect to certain adjustments, including the issuance of the Company's common stock to Clayborn as part of the purchase price. The pro forma financial information does not necessary reflect the results of operations that would have occurred had the Company and Clayborn been a single entity during this period.

<TABLE>  
<CAPTION>

ended	Three months ended		Six months
	October 31		October
31	2003	2002	2003
2002	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Revenue	\$ 6,636,059	\$ 2,330,696	\$ 10,855,296
\$ 4,548,850			
Net loss attributable to common shareholders (219,399)	\$ (101,549)	\$ (341,169)	\$ (240,051) \$
Weighted average number of shares used in calculation of basic earnings per share 9,516,066	20,159,357	9,852,078	17,119,279
Basic net loss per share	\$ (0.01)	\$ (0.03)	\$ (0.01)
\$ (0.02)			

</TABLE>

13  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS Costs and estimated earnings on uncompleted contracts consist of the following at October 31, 2003:

<TABLE>  
<CAPTION>  
<S>

	<C>
Costs incurred on uncompleted contracts	\$ 10,212,689
Estimated contract profit	2,862,588
	-----
	13,075,277
Less: billings to date	13,523,135
	-----
Net billings in excess	\$ ( 447,858)
	=====
Costs and estimated earnings in excess of billings	\$ 835,613
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,283,471)
	-----
Net billings in excess	\$ ( 447,858)
	=====

</TABLE>

NOTE 5 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of Walker, an additional \$500,000 is payable to the Walker shareholders, provided Walker achieves certain net profits, to be paid in quarterly distributions equal to 75% of net income. For the three months ended October 31, 2003, an additional \$173,415 was payable to the Walker shareholders against this earn-out provision, accordingly, the goodwill was increased by \$173,415. At October 31, 2003, the total payable to the Walker shareholders under this earn-out provision was \$323,415.

In connection with the acquisition of Walker, certain officers of the Company

are the trustees for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the six months ended October 31, 2003, \$28,000 was paid as rent for this lease.

In connection with the acquisition of Clayborn, an additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions to the Clayborn shareholders, by payment of 50% of the quarterly post tax profits of Clayborn.

NOTE 6- LINE OF CREDIT

On October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank in the amount of \$750,000. The borrowing limit is up to 70% of eligible Walker accounts receivable. As of October 31, 2003, the borrowing base was \$750,000 and there was no outstanding balance. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment, and bears interest at the Wall Street Journal Prime Index Rate plus 1.5% (5.50% as of October 31, 2003). In addition, the Company and certain executive officers of the Company have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on November 5, 2004. Accrued interest is payable monthly.

NOTE 7 - STOCK OPTION PLAN

The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 5,000,000 shares of the Company's common stock were reserved for grant (the "2002 Plan"). Under the terms of the 2002 Plan, the options, which expire one to five years after grant, 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. At October 31, 2003, there were 2,020,025 shares available for grant under the 2002 Plan. No options were granted as of October 31, 2002.

14

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 7 - STOCK OPTION PLAN (Continued)

The Company applies the intrinsic value method in accounting for its stock-based compensation plan pursuant to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations and, accordingly, when the exercise price of an employee stock option granted by the Company is equal to or greater than the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company has elected the disclosure only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation- Transition and Disclosure, an amendment to of FASB Statement 123". Had the Company measured compensation under the fair value based method for stock options granted, the Company's net loss attributable to common shareholders and net loss per share attributable to common shareholders would have been as follows:

<TABLE>  
<CAPTION>

	Three months ended October 31, 2003	Six months ended October 31, 2003
<S>	<C>	<C>
Net income (loss) attributable to common shareholders, as reported	\$ 11,001	\$ (111,743)
Deduct: total stock-based employee compensation expenses determined under fair value based method for all awards, net of tax	(64,867)	(107,015)
--	-----	-----
Net loss per share attributable to common shareholders, pro forma	\$ (53,866)	\$ (218,758)
=====	=====	
Net income (loss) per share: Basic and Fully diluted		
As reported	\$ 0.00	\$ (0.01)
Basic- pro forma	\$ 0.00	\$ (0.02)

</TABLE>

The fair value of each option grant was estimated on the date of grant using the Black-Scholes Option pricing model with the following assumptions: Risk-free interest rate of 2%, dividend yield of 0%, term of five years and volatility of 71.0%.

NOTE 8- SHAREHOLDERS' EQUITY

On June 25, 2003, (and amended October 24, 2003), the Company offered in a private placement, up to 100 units (the "Units") for sale to accredited investors at a price of \$25,000 per Unit (the "Offering"). Each Unit consists of

(i) 44,444 shares of the Company's common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of \$0.90 per share (the "Warrants"). The Warrants may be redeemed in whole or in part at the option of the Company, if the closing price of the Company's common stock is at least \$1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption.

15

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 8- SHAREHOLDERS' EQUITY (Continued)

In connection with the Offering, the placement agent was issued Warrants to purchase 665,000 shares of the Company's common stock, exercisable for a period of three years, at an exercise price of \$0.75 per share. As of October 31, 2003, the Company sold all 100 Units from the Offering and received proceeds of \$2,206,826, net of the placement agent commissions and other issuance costs.

For the six months ended October 31, 2003, the Company granted options to purchase 1,230,000 shares of its common stock to certain consultants. The options have exercise prices ranging from \$0.45 to \$2.33, and vesting periods of one to five years. The Company has valued these options using the Black-Scholes Option pricing model and recorded \$187,620 of expense for the six months ended October 31, 2003.

On August 13, 2003, all 1,000 Series C Preferred shares were converted into 1,786,000 shares of the Company's common stock.

NOTE 9 - SEGMENT REPORTING

The Company's reportable segments are determined based upon the nature of the services, the external customers and customer industries and the sales and distribution methods used to market the products. The Company has two reportable segments: wireless infrastructure services and specialty communication systems. The Company evaluates performance based upon (loss) income before income taxes. Corporate includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other segments. Corporate assets include cash, prepaid expenses, and deferred tax assets. Segment reporting commenced after the Company acquired Walker in December 2002. Prior to that date, the Company operated as only one segment. Segment results for the three and six months ended October 31, 2003 are as follows:

<TABLE>  
<CAPTION>

<S>	<C>	Three months ended October 31, 2003			Total <C>
		Corporate	Wireless Infrastructure <C>	Specialty Communications <C>	
Revenue	\$ -	\$ 1,102,052	\$ 5,123,782	\$	
6,225,834					
(Loss) income before income taxes	\$ (307,191)	\$ 41,675	326,517		
61,001					

</TABLE>

16

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 9 - SEGMENT REPORTING (Continued)

<TABLE>  
<CAPTION>

<S>	<C>	Six months ended October 31, 2003			Total <C>
		Corporate	Wireless Infrastructure <C>	Specialty Communications <C>	
Revenue	\$ -	\$ 1,722,641	\$ 7,599,676	\$	
9,322,317					
(Loss) income before income taxes	\$ (575,567)	\$ 79,760	\$ 475,064		
(20,743)					
Goodwill		\$ 1,632,544	\$ 6,139,089	\$	
7,771,633					
Total assets	\$ 190,118	\$ 3,355,732	\$ 13,624,945	\$	
17,170,795					

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS

## Item 2. Management's Discussion and Analysis

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this Quarterly Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from Management's expectations. Factors that could cause differences include, but are not limited to, expected market demand for the Company's products, fluctuations in pricing for products distributed by the Company and products offered by competitors, as well as general conditions of the telecommunications marketplace.

## Overview

WPCS International Incorporated is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity (WiFi) and fixed wireless deployment. WPCS International Incorporated provides a range of specialty communications services including project management, site design, structured cabling, product integration, network security, and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements.

## Significant Transactions and Events

On May 17, 2002, pursuant to the agreement and plan of merger, Phoenix Star Ventures Inc. ("PSVI"), a publicly held corporation, acquired WPCS Holdings Inc., a Delaware corporation ("Holdings") by issuing 5,500,000 shares of its common stock to shareholders of Holdings in exchange of all the outstanding shares of Holdings. The shareholders of Holdings, after the acquisition, owned the majority of the combined company. Accordingly, the combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, Holdings is the accounting acquirer and PSVI is the accounting acquiree. Concurrently with the acquisition, PSVI, the parent company, changed its name to WPCS International Incorporated ("WPCS" or the Company).

On November 13, 2002, the Company entered into an agreement and completed a merger with Invisinet, Inc. ("Invisinet"). Invisinet is in a similar business as the Company, providing fixed wireless technology services to its customers. The acquisition of Invisinet broadens the Company's customer base and expands its technical resources capable of deploying wireless systems. For the six months ended October 31, 2003, the acquisition of Invisinet increased sales by approximately \$1.6 million as compared the same period in the prior year. To complete the merger, the Company acquired 100% of the common stock of Invisinet by issuing 1,000,000 shares of the Company's common stock with a fair value of \$1,750,000, based on the average value of the Company's common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Invisinet, the Company has recognized goodwill of approximately \$1.6 million.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS

On December 30, 2002, the Company acquired all of the outstanding common stock of Walker Comm, Inc. ("Walker"). The acquisition of Walker gives the Company the ability to provide specialty communication systems to its customers along with strengthening its project management capabilities. For the six months ended October 31, 2003, the acquisition of Walker increased sales approximately \$5.8 million as compared to the same period in the prior year. The aggregate consideration paid by the Company for Walker was approximately \$5,113,000. To complete the merger, all of the issued and outstanding shares of common stock of Walker were exchanged for aggregate merger consideration consisting of \$500,000 in cash and the common stock of the Company with a value of approximately \$4,574,000, or 2,486,000 shares valued at \$1.84 per share based on the average value of the Company's common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Walker, the Company recognized goodwill of approximately \$3.8 million.

On August 22, 2003, the Company acquired all of the outstanding common stock of Clayborn Contracting Group, Inc. ("Clayborn"). The acquisition of Clayborn gives the Company additional expertise in engineering and deployment services for specialty communications systems and additional wireless opportunities to pursue. For the six months ended October 31, 2003, the acquisition of Clayborn increased sales approximately \$1.8 million as compared to the same period in the prior year. The aggregate consideration paid by the Company for Clayborn was

approximately \$2,919,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for \$900,000 cash consideration and \$45,000 in transaction costs, and 826,446 newly issued shares of the Company's common stock with a fair value of approximately \$868,000 based on the average value of the Company's common stock as of a few days before and after the merger terms were agreed to and announced. An additional \$1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn. Based on the preliminary information currently available, the Company preliminarily expects to recognize goodwill of approximately \$2,048,000. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or other intangible assets.

Results of Operations

19  
WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management currently considers the following events, trends and uncertainties to be important to understand its results of operations and financial condition:

- o We started our operations in December 2001. We did not record significant revenue for the period from November 15, 2001 (date of inception) to April 30, 2002. The operations for this period were conducted prior to the acquisitions of three privately-held companies, Invisinet, Walker and Clayborn.
- o As a result of the acquisitions of Invisinet on November 13, 2002 and Walker on December 30, 2002, we experienced significant growth in our overall business and commenced operations in two segments, wireless infrastructure services and specialty communication systems.
- o With the acquisition of Clayborn in the second quarter of fiscal 2004, we experienced additional expansion of the specialty communication segment. As of October 31, 2003, the specialty communications segment represents approximately 80% of total revenue, and wireless infrastructure services represent approximately 20% of total revenue.
- o Furthermore, we plan to evaluate additional acquisition opportunities in 2004 in an attempt to build out a national, strategically located workforce that will allow our segments to leverage, to the extent feasible, related internal synergies, and to take advantage of expected growth in the wireless infrastructure and specialty communications markets.
- o Our backlog has increased to approximately \$18 million as of October 31, 2003. Our backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts or purchase orders. The increase in backlog is the result of new contracts awarded to us by our customers. We expect this backlog to be fully recognized as revenue within the next twelve months.
- o Our selling, general and administrative expenses decreased as a percentage of revenue for the three and six months ended October 31, 2003, as compared to the same period in the prior year.

<TABLE>  
<CAPTION>  
Three Months Ended October 31, 2003 Compared to Three Months Ended October 31, 2002

	Three months ended October 31,			
	2003		2002	
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 6,225,834	100.0%	\$ 213,359	100.0%
Costs and expenses:				
Cost of Revenue	4,610,888	74.1%	170,919	80.1%
Selling, general and administrative expenses	1,439,755	23.1%	207,684	97.3%
Provision for doubtful accounts	23,658	0.4%	26,285	12.3%
Depreciation and amortization	90,532	1.4%	1,542	0.7%
Total costs and expenses	6,164,833	99.0%	406,430	190.4%
Income (loss) before provision for income taxes	61,001	1.0%	(193,071)	-90.4%
Provision for income taxes	(50,000)	-0.8%	-	0.0%
Net income (loss)	\$ 11,001	0.2%	\$ (193,071)	-90.4%

</TABLE>

## Revenue

We generate our revenue by providing project engineering and deployment services for specialty communication systems, wireless fidelity (WiFi) and fixed wireless systems. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements. We record profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

Revenue for the three months ended October 31, 2003 was approximately \$6,226,000 as compared to \$213,000 for the three months ended October 31, 2002. The increase in revenue during the quarter ended October 31, 2003, compared to the same period in the prior year, is a result of the acquisitions of Invisinet, Walker, and Clayborn, which accounted for \$6,130,000 of the total revenue for the quarter.

Revenue from the specialty communication segment for the three months ended October 31, 2003 was approximately \$5,124,000 or 82% of total revenue. Wireless infrastructure segment revenue for the three months ended October 31, 2003 was approximately \$1,102,000 or 18% of total revenue for the quarter.

## Cost of Revenue

In the case of the wireless infrastructure segment, cost of revenue consists of component material costs, direct labor costs and costs incurred for third party sub-contractor services. For the specialty communication segment, cost of revenue consists of direct costs on contracts, including materials, labor, and other overhead costs. Our cost of revenue margin varies from job to job. For the three months ended October 31, 2003, our cost of revenue was approximately \$4,611,000, or 74.1% of revenue. For the three months ended October 31, 2002, cost of revenue was approximately \$171,000, or 80.1% of revenue. The dollar increase in total Company cost of revenue is due to the corresponding increase in revenue as a result of the acquisitions of Invisinet, Walker and Clayborn. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix of the recent acquisitions.

## Selling, general and administrative expenses

For the three months ended October 31, 2003, total selling, general and administrative expenses were \$1,440,000 or 23.1% of total revenue. For the three months ended October 31, 2002, selling, general and administrative expenses were \$208,000 or 97.3% of revenue. The percentage decrease is due to the management of our cost structure as we leverage incremental revenue in fiscal 2004. For the three months ended October 31, 2003, included in selling, general and administrative expenses are \$524,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the same period in the prior year is due to the increase in headcount as a result of the acquisition of Invisinet, Walker and Clayborn. In addition, Walker employs union employees for whom it incurred \$318,000 in union benefits during the quarter. Professional fees were \$175,000, with the increase due primarily to an increase in investor relations, accounting and legal fees. Insurance costs were \$158,000 and rent for office facilities were \$65,000. Other selling, general and administrative expenses totaled \$200,000. For the three months ended October 31, 2003, total selling, general and administrative expenses for the wireless infrastructure segment were \$130,000 and \$1,088,000 for the specialty communication segment, respectively.

For the three months ended October 31, 2002, included in selling, general and administrative expenses were \$72,000 for salaries, commissions and payroll taxes and \$101,000 in professional fees. Rent for our office facilities amounted to \$8,000. Other selling, general and administrative expenses totaled \$27,000.

For the three months ended October 31, 2003 and 2002, the provision for doubtful accounts was approximately \$24,000 and \$26,000, respectively. The provision represents accounts receivable which we consider uncollectible, based on a number of factors, including the length of time a customer account is past due, previous loss history, and the customer's ability to pay its obligations.

For the three months ended October 31, 2003 and 2002, depreciation and amortization was approximately \$90,000 and \$1,500, respectively. The increase in depreciation and amortization is due to an increase in property and equipment and customer lists from the acquisition of Invisinet and Walker, and an increase in property and equipment from the acquisition of Clayborn.

Net income

Net income was \$11,000 for the three months ended October 31, 2003. Net income for the quarter ended October 31, 2003 included a non-cash charge of approximately \$58,000 for the grant of stock options to certain consultants, to purchase 380,000 shares of the Company's common stock. In accordance with SFAS No. 123, stock options granted to non-employees are required to be expensed based on the fair value of the equity instruments or fair value of the consideration received. Net income also included income tax expense of \$50,000 to provide for state income taxes and certain book-to-tax permanent differences.

We incurred a net loss of approximately \$193,071 for the three months ended October 31, 2002.

Six Months Ended October 31, 2003 Compared to Nine Months Ended October 31, 2002

<TABLE>

<CAPTION>

	Six months ended October 31,			
	2003		2002	
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 9,322,317	100.0%	\$ 606,482	100.0%
Costs and expenses:				
Cost of Revenue	6,640,134	71.2%	474,096	78.2%
Selling, general and administrative expenses	2,525,054	27.1%	396,746	65.4%
Provision for doubtful accounts	23,658	0.2%	26,285	4.3%
Depreciation and amortization	154,214	1.7%	3,085	0.5%
Total costs and expenses	9,343,060	100.2%	900,212	148.4%
Loss before provision for income taxes	(20,743)	-0.2%	(293,730)	-48.4%
Provision for income taxes	(91,000)	-1.0%	-	0.0%
Net loss	(111,743)	-1.2%	(293,730)	-48.4%
Imputed dividends accreted on Convertible Series B Preferred Stock	-	0.0%	(173,000)	-28.5%
Net loss attributable to common shareholders	\$ (111,743)	-1.2%	\$ (466,730)	-76.9%

</TABLE>

Revenue

Revenue for the six months ended October 31, 2003 was approximately \$9,322,000, as compared to \$606,000 for six months ended October 31, 2002. The increase in revenue during the six month period ended October 31, 2003, compared to the same period in the prior year, is a result of the acquisitions of Invisinet, Walker, and Clayborn, which accounted for \$9,179,000 of the total revenue for the period.

Revenue from the specialty communication segment for the six months ended October 31, 2003 was approximately \$7,600,000 or 82%. Wireless infrastructure segment revenue for the six months ended October 31, 2003 was approximately \$1,723,000 or 18% of total revenue for the period.

Cost of Revenue

For the six months ended October 31, 2003, our cost of revenue was approximately \$6,640,000, or 71.2% of revenue. For the six months ended October 31, 2002, cost of revenue was approximately \$474,000, or 78.2% of revenue. The dollar increase in cost of revenue is due to the corresponding increase in revenues as a result of the acquisitions of Invisinet, Walker and Clayborn. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix of the recent acquisitions.

Selling, general and administrative expenses

For the six months ended October 31, 2003, total selling, general and administrative expenses were \$2,525,000 or 27.1% of total revenue. For the six months ended October 31, 2002, selling, general and administrative expenses were \$397,000 or 65.4%. The percentage decrease is due to the management of our cost structure as we leverage our incremental revenue dollars in fiscal 2004. For the six months ended October 31, 2003, included in selling, general and administrative expenses are \$878,000 for salaries, commissions and payroll taxes. The increase in salaries and payroll taxes is due the increase in headcount as a result of the acquisition of Invisinet, Walker and Clayborn. In addition, Walker employs union employees for whom it incurred \$545,000 in union

benefits during the six month period. Professional fees were \$372,000, with the increase due primarily to an increase in investor relations, accounting and legal fees. Insurance costs were \$287,000 and rent for office facilities was \$113,000. Other selling, general and administrative expenses totaled \$330,000. For the six months ended October 31, 2003, total selling, general and administrative expenses for the wireless infrastructure segment were \$455,000 and \$1,654,000 for the specialty communication segment.

For the six months ended October 31, 2002, included in the selling, general and administrative expenses are \$142,000 for salaries, commissions and payroll taxes and \$197,000 in professional fees. Rent for our office facilities amounted to \$15,000. Other selling, general and administrative expenses totaled \$43,000.

For the six months ended October 31, 2003 and 2002, the provision for doubtful accounts was approximately \$24,000 and \$26,000, respectively.

For the six months ended October 31, 2003 and 2002, depreciation and amortization was approximately \$154,000 and \$3,100, respectively. The increase in depreciation and amortization is due to an increase in property and equipment and customer lists from the acquisition of Invisinet, Walker and Clayborn.

#### Net loss

We incurred a net loss of approximately \$112,000 for the six months ended October 31, 2003. The net loss for the six month period ended October 31, 2003 included a non-cash charge of approximately \$187,000 for the grant of stock options to certain consultants, to purchase 1,230,000 shares of the Company's common stock. In accordance with SFAS No. 123, stock options granted to non-employees are required to be expensed based on the fair value of the equity instruments or fair value of the consideration received. The net loss also included income tax expense of \$91,000 to provide for state income taxes and certain book-to-tax income permanent differences.

We incurred a net loss attributable to common shareholders of approximately \$467,000 for the six months ended October 31, 2002.

#### Liquidity and capital resources

At October 31, 2003, we had working capital of \$1,859,000, which consisted of current assets of approximately \$7,946,000 and current liabilities of \$6,087,000. Current assets included \$1,229,000 in cash, \$6,262,000 in accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, \$94,000 in inventories, \$206,000 in prepaid expenses, \$105,000 in income tax receivable and \$50,000 in deferred tax assets. Current liabilities included \$4,125,000 in accounts payable, accrued expenses and billings in excess of costs and estimated earnings on uncompleted contracts, \$100,000 payable to an officer of the Company, \$1,423,000 payable to shareholders of the Company, \$220,000 income taxes payable, \$196,000 in current portion of deferred income taxes, and \$23,000 in other current liabilities. The increase in accounts receivable between April 30, 2003 and October 31, 2003 is due primarily to recent acquisitions we made, and secondarily by internal growth.

We utilized \$104,000 in cash from operating activities during the six months ended October 31, 2003. This was mainly comprised of a \$112,000 net loss, offset by \$219,000 in net non-cash charges, a \$2,476,000 net increase in accounts receivable, \$196,000 increase in costs and estimated earnings in excess of billings on uncompleted contracts, \$1,221,000 decrease in accounts payable and accrued expenses, \$1,059,000 increase in billings in excess of costs and estimated earnings on uncompleted contracts, \$196,000 increase in income taxes payable and a \$15,000 net increase in other current assets and liabilities.

Our investing activities utilized \$897,000 in cash, which consisted of \$900,000 paid for the acquisition of Clayborn and \$45,000 of related acquisition transaction costs, offset by \$134,000 of cash received. We paid \$58,000 in earn-out provisions related to the Walker acquisition, and an additional \$12,000 in acquisition transaction costs. Additionally, \$16,000 was paid for the property and equipment additions.

The Company's financing activities generated cash of \$2,062,000 during the six months ended October 31, 2003. This was comprised primarily of net proceeds of \$2,207,000 received from the completion of the sale of the Company's common stock in a private placement memorandum. The Company offered up to 100 units (the Units) for sale to accredited investors at a price of \$25,000 per Unit (the Offering), or a maximum offering of \$2,500,000. Each Unit consisted of (i) 44,444 shares of the Company's common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of \$0.90 per share (the Warrants). The Warrants may be redeemed



in whole or in part at the option of the Company, if the closing price of the Company's common stock is at least \$1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. The Company sold all 100 units in the offering. In connection with the offering, the placement agent was issued warrants to purchases 665,000 shares of the Company's common stock at an exercise price of \$0.75 per share. Other financing activities included the repayment of equipment notes of approximately \$144,000 related to the acquisition of Clayborn.

Our capital requirements depend on numerous factors, including the market for our services, the resources we devote to developing, marketing, selling and supporting our products and services, the timing and extent of establishing additional markets and other factors. To address our working capital needs and growth in our sales and customer base, on October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank in the amount of \$750,000. The borrowing limit is up to 70% of eligible Walker accounts receivable. As of October 31, 2003, the borrowing base was \$750,000 and there was no outstanding balance. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment, and bears interest at the Wall Street Journal Prime Index plus 1.5% (5.50% as of October 31, 2003). In addition, the Company and certain executive officers of the Company have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on November 5, 2004. We also anticipate obtaining a working capital line of credit for Clayborn prior to October 31, 2004, to assist with working capital needs as the Clayborn business and customer base expands.

In connection with the Offering, we have the ability to redeem some or all of the Warrants for \$0.01 if our common stock is at least \$1.25 per share on average for 10 consecutive trading days ending not earlier than 30 days before the Warrants are called for redemption. If we decide to redeem the warrants, we will provide written notice to each warrant holder that the warrants will be redeemed at a price of \$0.01 per warrant on a fixed date, not less than thirty days from mailing of the notice. Warrant holders would have until the end of business on the day before redemption to exercise their warrants at an exercise price of \$0.90. Since we cannot redeem warrants until our stock price is trading at \$1.25, which is higher than the warrant exercise price of \$0.90, if we decide to redeem the warrants, we believe most, if not all, warrant holders will elect to exercise their warrants. Therefore, the redemption of the Warrants would provide us with up to approximately \$4,000,000 in additional cash upon warrant holders exercising their Warrants instead of allowing us to redeem the Warrants. In the event the warrant holders elect not to exercise their warrants and our stock price is not trading at \$1.25 for ten consecutive trading days, we may not receive the cash.

At October 31, 2003, we had cash of \$1,229,000. We have a \$750,000 revolving line of credit available, and we also expect to redeem approximately \$4 million of the Warrants from the Offering within the next twelve months, as discussed above. Accordingly, we believe these internally available funds, and expected financing activities, will provide us sufficient capital to meet our short-term needs for the next twelve months. These funding needs include working capital and capital expenditures, the remaining \$442,000 earn-out to be paid related to the Walker acquisition, and the expected payment of quarterly distributions of post tax profits to Clayborn shareholders for the next twelve months. The total distribution to Clayborn shareholders is \$1,100,000, which is due by September 30, 2007. 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.

We will continue to explore opportunities to raise additional funds on acceptable terms for a number of uses. We may not be able to obtain additional funds on acceptable terms, or at all. Additional capital resources would be devoted to search for, investigate and potentially acquire new companies that have a strategic fit. In connection with a potential acquisition, we would also expect to issue additional common stock equity or convertible debt securities, which may result in additional dilution to our shareholders.

#### 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 its financial condition and results of operations, the Company views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on the Company's consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

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

The accounting policies identified as critical are as follows:

#### Use of Estimates

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

#### 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 in our fourth fiscal quarter 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.

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 our Invisinet business unit, which are operating segments within our fixed wireless reportable segment, and our Walker Comm structured cabling reporting unit, which is a reportable segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

25

#### WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Revenue recognition

The Company generates its revenue by providing project engineering and installation services for specialty communications systems, including wireless fidelity (WiFi), fixed wireless deployment, fiber optics, voice and data cabling, audio/visual systems, and networking. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

The Company records profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. The Company includes in operations pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when the Company determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, 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.

#### Recently issued accounting pronouncements

In June 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No.146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with and exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability.

SFAS No.146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of the adoption of SFAS No. 146 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No.148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.123." SFAS No.148 amends SFAS No.123,"Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 and the related SFAS No. 123. The adoption of SFAS 148 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

26

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS

In November 2002, the FASB issued FASB Interpretation No.45, ("FIN No. 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No.45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No.45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending December 15, 2002. The adoption of the disclosure requirements of FIN No. 45 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No.46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No.46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year on interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has not adopted FIN No.46 for the year ended April 30, 2003. The Company does not expect FIN 46 to have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of our first quarter for fiscal 2004. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial position, results of operations or cash flows.

27

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS

## Forward Looking Statements

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. Those statements include statements regarding the intent, belief or current expectations of the Company 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 the Company in this report and in the Company's 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. The Company undertakes 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. The Company believes that its assumptions are based upon reasonable data derived from and known about its business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of the Company's future activities will not differ materially from its assumptions.

28

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

### ITEM 3. CONTROLS AND PROCEDURES

- a) Evaluation of Disclosure Controls and Procedures. As of October 31, 2003, the Company's management carried out an evaluation, under the supervision of the Company's Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company's system of disclosure controls and procedures pursuant to the Securities and Exchange Act, Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by the Company under the Securities Exchange Act of 1934.
- b) Changes in internal controls. There were no changes in the Company's internal controls over financial reporting, that occurred during the period covered by this report that has materially affected, or is likely reasonably to materially effect, the Company's internal control over financial reporting.

29

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

## Part II - OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS.

From time to time the Company is subject to litigation incidental to its business. Such claims, if successful, could exceed applicable insurance coverage. The Company is not currently a party to any material legal proceedings.

### Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

During the quarter ended October 31, 2003, the Company sold an aggregate of 60 units in a private placement conducted pursuant to Rule 506 of Regulation D, for aggregate proceeds of \$1,500,000. Each Unit consists of (i) 44,444 shares of the Company's common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of \$0.90 per share. The Warrants may be redeemed in whole or in part at the option of the Company, if the closing price of the Company's common stock is at least \$1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. In connection with the sale of the 60 units, the placement agent was issued warrants to purchases 399,000 shares of the Company's common stock at an exercise price of \$0.75 per share.

### Item 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

Item 5. OTHER INFORMATION.

Not applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

31.1 - Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

31.2 - Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

32.1 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)

32.2 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

(b) Reports on Form 8-K.

Report on Form 8-K/A, dated November 7, 2003

30

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

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: May 4, 2004

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

31

CERTIFICATION

I, Andrew Hidalgo, certify that:

1) I have reviewed this amended quarterly report on Form 10-QSB/A of WPCS International Incorporated ( "the Company");

2) Based on my knowledge, this quarterly 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 quarterly report;

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

4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Company's disclosure controls and procedures as of October 31, 2003 (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The Company's other certifying officer and I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6) The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 4, 2004

/s/ Andrew Hidalgo

-----

Andrew Hidalgo  
Chief Executive Officer

CERTIFICATION

I, Joseph Heater, certify that:

1. I have reviewed this amended quarterly report on Form 10-QSB of WPCS International Incorporated ( "the Company");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the Company's disclosure controls as of October 31, 2003 (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent function): a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
6. The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 4, 2004

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

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

In connection with the amended Quarterly report of WPCS International Incorporated (the "Company") on Form 10-QSB/A for the period ending October 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Hidalgo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 4, 2004

/s/ Andrew Hidalgo  
-----  
Andrew Hidalgo  
Chief Executive Officer



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

In connection with the amended Quarterly report of WPCS International Incorporated (the "Company") on Form 10-QSB/A for the period ending October 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Heater, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 4, 2004

/s/ Joseph Heater  
-----  
Joseph Heater  
Chief Financial Officer