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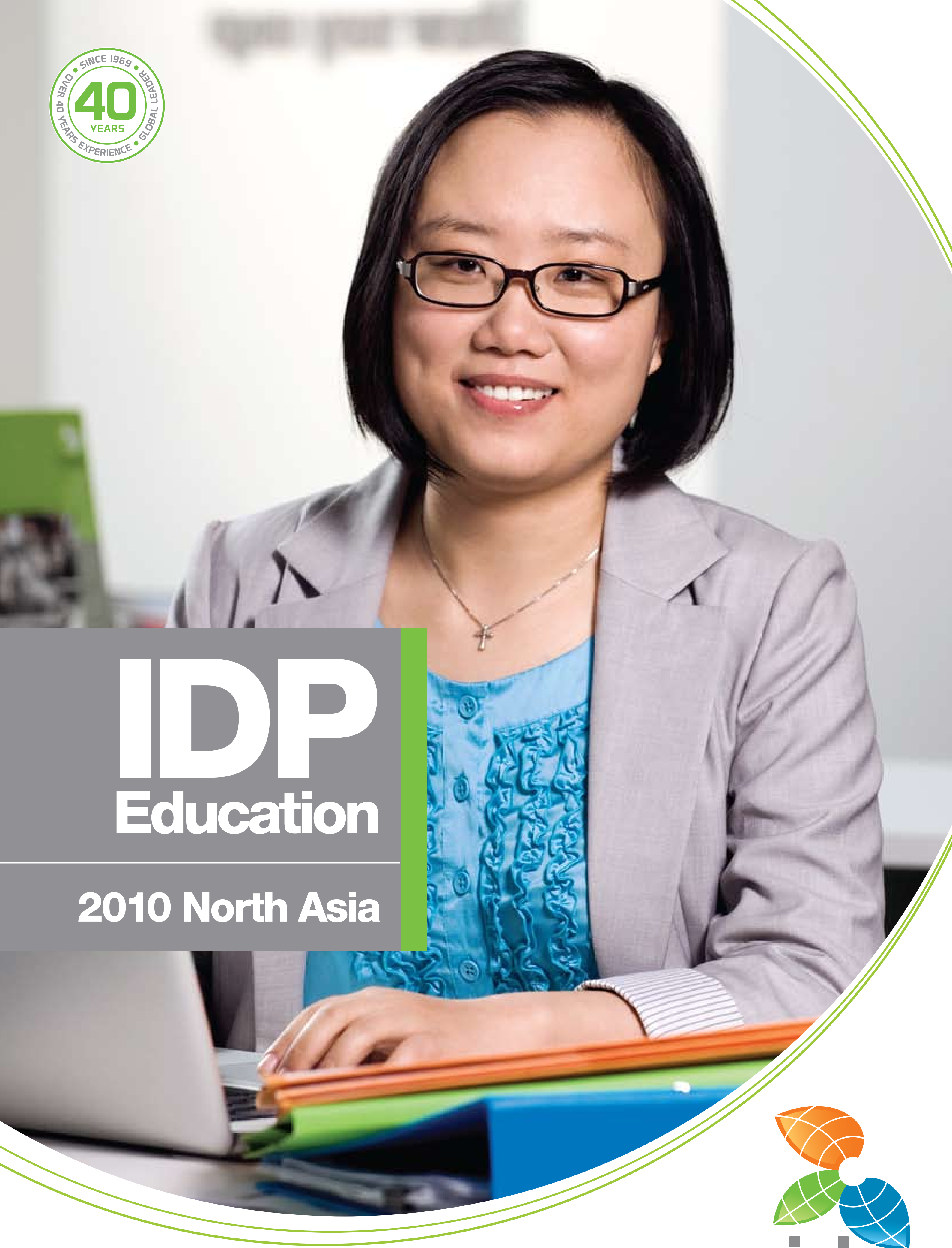

IDP Education

2010 North Asia

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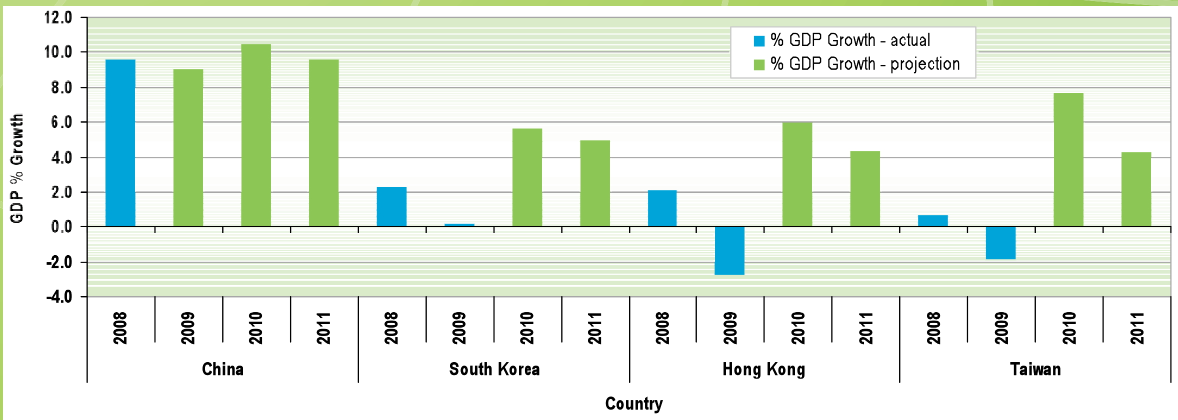
Countries under North Asia

China, Hong Kong, South Korea, Taiwan

ECONOMY

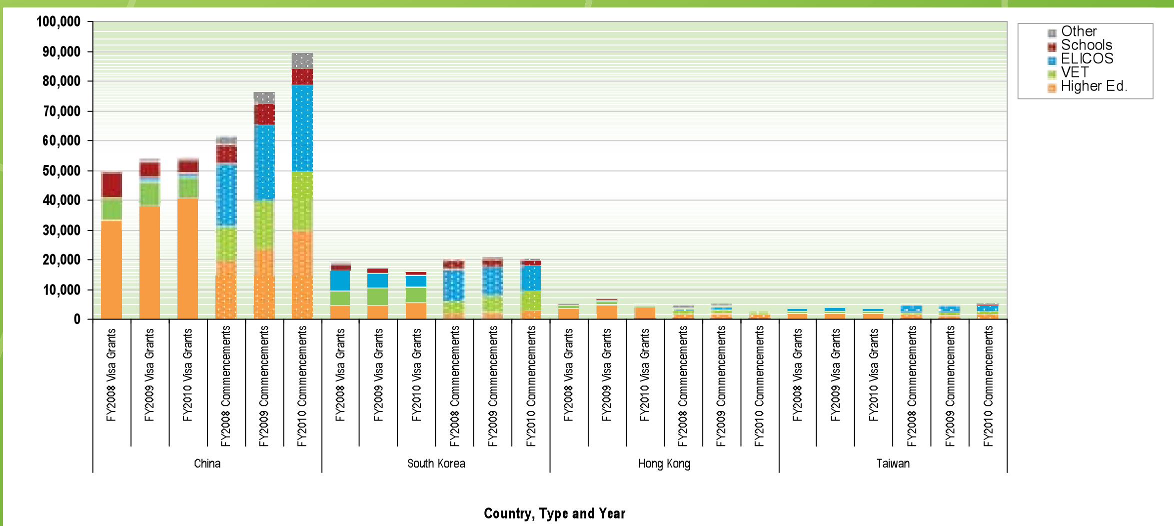
Figure 1. Percentage GDP Growth for North Asian Countries, 2008 to 2011



Source: International Monetary Fund - WEO April 2010, July 2010.

According to the July 2010 IMF forecast report, GDP growth in the key North Asian countries is forecast to grow moderately in China and South Korea following strong declines in 2009, China from 9.1% in 2009 to 10.5% in 2010 and South Korea from 0.2% to 5.7%. Hong Kong and Taiwan are forecast to rebound back strongly from -2.8% to 6.0% and -1.9% to 7.7% in 2010.

Figure 2. Offshore Visa Grants and Commencements by Sector for North Asian Countries, 2008 to 2010



Sources: Australian Education International – Standard Pivot Table, June 2010, DIAC Visa Grants data.
(1) AEI Commencement data from 2008 to 2010 by financial year (July to June).
(2) DIAC Visa data is Offshore Visa Grants by financial year.

DIAC offshore visa grants (across all combined sectors) have declined as follows between FY2009 and FY2010: South Korea from 17,594 to 16,367 (-7.0%), Hong Kong from 7,109 to 5899 (-17.0%), Taiwan from 4,222 to 3,909 (-7.4%). Only China had minimal growth of +0.7% from 54,015 to 54,409.

Commencements from China to Australia accounted for 27.3% of total commencements in FY2008, 25.4% in FY2009 and 25.7% in FY2010. Hong Kong accounted for 1.9% of total commencements in FY2008, 1.5% in FY2009 and 0.8% in FY2010 while Taiwan accounted for 2.0% of total commencements in FY2008, 1.6% in FY2009 and 1.3% in FY2010.

Commencements (across all sectors) changed for individual countries between FY2009 and FY2010 as follows: China grew by +20.0% from 76,357 to 89,438 commencements, South Korea declined slightly from 20,850 to 20,389 commencements (-2.2%), Hong Kong declined strongly from 5,169 to 3,673 commencements (-28.9%) and Taiwan had a slight increase of +2.1% from 5,014 to 5,119.

Market overview

Most of the countries in this region predict very strong GDP growth for the coming year. North Asian students will continue to seek overseas education opportunities due to extremely strong competition for higher education places in their home countries. Family wealth continues to improve as economies grow stronger. However, the popularity of Australia as a key destination country for education has been weakened by a series of factors, including a tightened migration and visa policy and very strong Australia dollar.

A downturn trend in next 12 months with an approximate 10%~15% reduction in demand is foreseen mostly due to the shrinking of demand in China. DIAC data shows a -8.6% offshore visa reduction in 2009-10 versus the 2008-09 fiscal year. However, longer term demand for Australian education shows good prospects as the number of eligible families in North Asia countries keeps growing. The brand attributes of Australia have not really changed, it is still an attractive and very competitive place to live and study for North Asian students.

IDP's Strategy in North Asia

IDP is committed to sustaining its core business of Australia-bound students in this region. By further leveraging our IELTS brand awareness, IDP plans to solidify its leadership position in mature markets such as Hong Kong and Taiwan.

IDP also has firm plans to develop the China market through continuous investment in marketing and manpower. Setting up new destinations for students is an important approach which will improve our attraction to prospective students – a key factor for success in generating leads for Australia.

Specifically, in Korea our focus will be firstly identifying a more marketing-oriented organisation structure; in Taiwan, we will further strengthen our channel management to maintain our leadership position in student placement.

The numbers of Australia-bound students from Hong Kong have been very stable over the past five years. However, in the coming fiscal year 2011-12, the Hong Kong education system will undergo a structural change resulting in fewer eligible graduates in that particular year. As a result, a sudden drop in student commencement numbers is foreseen (one year impact). IDP Hong Kong has started to prepare itself by developing a new marketing team and will strengthen its position as the premier agent in this country.

IDP China has improved its market share for the two consecutive years since 2007. Although there was a series of new challenges, including staff turnover issues in East China, a strengthened management structure has been put in place. With a strong commitment to the largest student placement market, IDP continues to build the marketing capability and prepare its city expansion. Client relations and student service enhancement will be key focuses in the coming 18 months.