

THIS CIRCULAR, AND THE FORM OF PROXY AND THE FORM OF DIRECTION BEING MADE AVAILABLE WITH THIS CIRCULAR, ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser immediately (being, in the case of Shareholders in the UK, an adviser authorised pursuant to the Financial Services and Markets Act 2000, as amended (“FSMA”), or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom).

If you have sold or otherwise transferred your entire holding of Common Shares prior to the close of business at 5.30 p.m. on 28 November 2023 (“**Record Date**”), subject to the comments below in respect of jurisdictions outside the United Kingdom, please send this Circular, together with the Form of Proxy and Form of Direction being made available with this Circular, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Common Shares prior to the Record Date, you should retain this Circular and the Form of Proxy and Form of Direction and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.



THE QUARTO GROUP INC. (the “Company”)

(Incorporated under the Delaware General Corporation Law and registered in the State of Delaware with registered number 2104160)

Proposed Cancellation of Admission of Common Shares to the premium segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange (“De-listing”)

and

Notice of Special Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of The Quarto Group Inc., which is set out on pages 7 to 15 of this Circular and which contains the unanimous recommendations of the Directors that you vote in favour of the Resolution to be proposed at the Special Meeting referred to below.

Notice of a Special Meeting of the Shareholders of the Company, to be held at 1 Triptych Place, Second Floor, London, SE1 9SH at 12.00 p.m. on 14 December 2023, is set out at the end of this Circular.

A Form of Proxy and Form of Direction for use by Shareholders and holders of Depository Interests of record in connection with the Special Meeting are enclosed. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be received by Link Group, the Company’s Registrar, at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, as soon as possible and in any event so as to be received by no later than 48 hours before the time appointed for the Special Meeting (or any adjournment or postponement thereof). Notwithstanding the above, any Form of Proxy received before the time appointed for the Special Meeting will be valid. Forms of Direction must be submitted in accordance with the notes set out in the Special Meeting Notice and, to be valid, must be received as soon as possible but in any event by no later than 72 hours before the time appointed for the Special Meeting. The completion and return of a Form of Proxy or Form of Direction will not preclude Shareholders of record from attending and voting in person at the Special Meeting, or any adjournment

or postponement thereof, should they wish to do so. If your Common Shares are held of record by a broker, bank or other nominee, you may vote by submitting voting instructions to such broker, bank or other nominee. If your Common Shares are held of record by a broker, bank or other nominee and you wish to vote in person at the Special Meeting, you must obtain a proxy issued in your name from such broker, bank or other nominee.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any such action. The distribution of this Circular into any jurisdiction outside the United Kingdom may be restricted by law and therefore persons into whose possession this Circular comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations in such jurisdictions.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This Circular is a shareholder circular and is being sent to you solely for your information in connection with the Resolution to be proposed at the Special Meeting. The contents of this Circular should not be construed as legal, business, financial, tax, investment or other professional advice.

Capitalised terms used in this document have the meaning ascribed to them in Part II (*Definitions*) of this Circular. References to times in this Circular are to London time.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such representations must not be relied on as having been so authorised.

This Circular is not a prospectus but a shareholder circular and does not constitute an offer or invitation to purchase or subscribe for any securities or a solicitation of an offer or invitation to purchase or subscribe for any securities.

The Circular is a circular relating to the Resolution.

The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change to the affairs of the Company since the date of this Circular or that the information is correct as of any subsequent date.

To the extent that any document or information incorporated by reference or attached to this Circular itself incorporates any document or information by reference, either expressly or impliedly, such document or information will not form part of this Circular, except where such document or information is stated within this Circular as specifically being incorporated by reference or where this Circular is specifically defined as including such document or information.

This Circular contains statements about the Group that are or may be forward-looking statements. All statements other than statements of historical facts included in this Circular may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “should”, “continue”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include all matters that are not historical facts and statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, future capital-raising activities, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the potential effects of the Proposed Acquisition; and (iii) the effects of government regulation on the Company’s business. By their nature, forward-looking statements involve risk and uncertainty because they relate

to future events and circumstances that are difficult to predict and outside of the Company's ability to control.

Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Circular. In addition, even if the Company's business, results of operations, financial position and/or prospects, and the development of the markets and the industry in which the Company operates, are consistent with the forward-looking statements contained in this Circular, those results and developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Company to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements herein speak only at the date of this Circular and Shareholders are cautioned not to place undue reliance on such forward-looking statements. Save as required by law or regulation, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Circular. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. Such forward-looking statements are based upon assumptions the Company believes are reasonable, but this information has not been independently verified. The Company cannot assure Shareholders that these assumptions will be correct, and undue reliance should not be placed on such information. Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Circular.

This document is dated 30 November 2023.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.⁽¹⁾⁽²⁾⁽³⁾

<i>Event</i>	<i>Time/date</i>
Announcement of the proposed De-listing	30 November 2023
Posting of this Circular	30 November 2023
Latest time and date for receipt of Forms of Direction	12.00p.m. 11 December 2023
Latest time and date for receipt of Forms of Proxy	12.00 p.m. 12 December 2023 ⁽⁴⁾
Time and date of the Special Meeting	12.00 p.m. 14 December 2023
Expected last day of dealings in the Company's Common Shares on the Main Market	17 January 2024
Expected cancellation of listing of the Company's Common Shares on the Official List	Effective as of 8.00 a.m. 18 January 2024

Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Circular are indicative only and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders and holders of Depository Interests via a Regulatory Information Service.
- (2) All of the times referred to in this Circular refer to London time, unless otherwise stated.
- (3) All events in the above timetable are conditional on, inter alia, the passing of the Resolution at the Special Meeting.
- (4) Any Form of Proxy lodged before the time of the Special Meeting will be valid.

CORPORATE DETAILS AND ADVISERS

Secretary and Registered Office	Michael Clarke 800 North State Street, Suite 304 Dover, Delaware 19901 United States of America
Directors	Andy Cumming (Independent Non-Executive Chairman) Chuk Kin Lau (Executive Director) Ken Fund (Non-Executive Director) Mei Lan Lam (Non-Executive Director) Jane Moriarty (Independent Non-Executive Director) Andrea Giunti Lombardo (Non-Executive Director) Alison Goff (Chief Executive Officer and Executive Director)
Principal place of business of the Company	1 Triptych Place, Second Floor, London SE1 9SH
English Legal Adviser to the Company	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT
U.S. Legal Adviser to the Company	Dorsey & Whitney LLP 51 West 52 nd Street New York, New York 10019 United States of America
Auditor to the Company	Mazars LLP 30 Old Bailey London EC1A 7BL
Company's Registrar	Link Group, Central Square 29 Wellington Street Leeds, LS1 4DL

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PART I
LETTER FROM THE CHAIRMAN OF THE QUARTO GROUP INC.

The Quarto Group Inc.

(Incorporated under the Delaware General Corporation Law and registered in the State of Delaware with registered number 2104160)

Principal Place of Business

1 Triptych Place
Second Floor
London
SE1 9SH
United Kingdom

Directors

Andy Cumming (Non-Executive Chairman)
Chuk Kin Lau (Executive Director)
Ken Fund (Non-Executive Director)
Mei Lan Lam (Non-Executive Director)
Jane Moriarty (Non-Executive Director)
Andrea Giunti Lombardo (Non-Executive Director)
Alison Goff (Executive Director)

30 November 2023

Dear Shareholder,

Proposed cancellation of Admission of Common Shares to the premium segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange
and
Notice of Special Meeting

1. Introduction

The Company has today announced its proposal to seek Shareholder approval for the cancellation of the admission of the Company's Common Shares to the premium segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange (the "**De-listing**").

After careful consideration and a period of analysis and strategic review relating to the future of the Company, the Directors have concluded that it is in the best interests of the Company, its Shareholders and holders of Depository Interests to seek Shareholder approval for the Company's De-listing (the "**Proposal**").

The purpose of this Circular is to (i) explain the background to and reasons for the Proposal, (ii) provide notice of the Special Meeting, (iii) explain why the Board considers the Proposal to be in the best interests of the Company, the Shareholders and holders of Depository Interests as a whole, and (iv) recommend that you vote in favour of the Resolution to be proposed at the Special Meeting.

If the Resolution is not passed for any reason, the Proposal will not proceed. It is important you complete, sign and return the Form of Proxy or Form of Direction (as applicable) for use at the Special Meeting enclosed with this Circular, whether or not you intend to attend the meeting.

2. Background to and reasons for the Proposal

The Directors have conducted a review of the benefits and drawbacks to the Company, its Shareholders and holders of Depository Interests in relation to its listing on the Main Market. As part of their review, the Directors considered the following matters, amongst others:

- (a) the effects of the De-listing being significant for Shareholders and holders of Depository Interests, in particular in terms of the loss of the protections afforded to Shareholders and holders of Depository Interests by the Listing Rules;
- (b) the loss of protections given by the Disclosure Guidance and Transparency Rules (“DTR”); and
- (c) the loss of liquidity provided by the existing listing arrangements.

Further information in relation to the identified effects of the De-listing, are set out in section 4 below.

The Board explored the possibility of transferring the Company’s listing to AIM in the past few years. However, the Board concluded that the benefits of becoming an unlisted private company at this stage of the Company’s development outweigh the potential benefits of seeking admission to another market in London.

The Board recognises that the effects of the De-listing are significant for Shareholders and holders of Depository Interests, in particular the loss of protections afforded by the Listing Rules and the loss of liquidity provided by the existing listing arrangements. The Board therefore intends to make the Tender Offer to provide Qualifying Shareholders and holders of Depository Interests with a means to realise their investment in the Company for cash after the De-listing has occurred. Further details of the proposed Tender Offer are set out in section 6 below. Shareholders and holders of Depository Interests should be aware that although as at the date of this Circular it is the intention of the Board to proceed with the Tender Offer, there can be no guarantee that the Company will actually make the Tender Offer. The Company reserves the right to change its intended plans and to reduce the Tender Offer and/or to change the intended terms and/or Tender Price of the Tender Offer (as set out in section 6 of this Circular) at any time if it considers it to be in the best interests of the Company, its Shareholders or holders of Depository Interests.

In addition to the Tender Offer, the Company will consider implementing a matched bargain facility which would facilitate Shareholders buying and selling Common Shares on a matched bargain basis following the De-listing and conclusion of the Tender Offer. In determining whether to put a matched bargain facility in place, the Company shall consider expected (and communicated) Shareholder demand for such a facility as well as the makeup of the share register once it has been analysed following the De-listing and the conclusion of the Tender Offer, and the cost to the Company, the Shareholders and holders of Depository Interests. Shareholders and holders of Depository Interests should be aware that the implementation of a matched bargain facility is only under consideration at this stage and there can be no guarantee that the Company will conclude that putting such a matched bargain facility in place is beneficial for Shareholders and holders of Depository Interests. Further details will be communicated to the Company’s shareholders and holders of Depository Interests at the relevant time.

For the avoidance of doubt, Shareholders and holders of Depository Interests are not obliged to tender their Common Shares in the Tender Offer (if the Tender Offer is implemented). Consequently, the Board is also proposing to put in place certain measures to help safeguard Shareholders’ and holders of Depository Interests’ interests following the Delisting as further described in this Circular.

The Board has therefore proposed the Resolution to cancel the admission of the Common Shares from the Official List and to trading on the London Stock Exchange’s Main Market for listed securities (the “Resolution”).

The Listing Rules require that, if a company wishes to cancel its listing on the Official List, it must seek the approval of (i) a majority of not less than 75 per cent of votes attaching to shares voted on the Resolution and (ii) a majority of the votes attaching to the shares of Independent Shareholders who voted on the Resolution, in each case voting in person or by proxy. Should the Resolution pass this test, it will authorise the Directors to request that (i) the FCA cancel the listing of the Company's Common Shares on the Official List, and (ii) the London Stock Exchange remove the Common Shares from trading on the Main Market.

3. Reasons for the De-listing

The Directors have considered the strategy for the Company to ensure that it is in the best position to be able to raise funds and enter into strategic transactions to develop the business whilst also ensuring the Company continues to meet its financial commitments and yields a return for Shareholders and holders of Depository Interests.

The Directors unanimously believe that the De-listing is in the best interests of the Company and its Shareholders (and holders of Depository Interests) as a whole. In reaching their decision, the Directors have considered the following key factors, amongst others:

(1) Significant changes in market conditions necessitate greater management flexibility

The market conditions have changed significantly due to the COVID-19 pandemic and its aftermath, which have affected the demand and supply of books worldwide. The Company needs more management flexibility to adapt to these changes and respond quickly to new opportunities and challenges, allowing management to concentrate on the core business without distraction.

Quarto achieved strong financial results in 2021 and 2022, but it has since faced the post-COVID downturn of the global book market in 2023. Consumers shifted their spending from discretionary items such as books to essential items such as food and fuel, as they faced economic uncertainty. The US book market, which is the world's largest, saw approximately a 3% drop in unit sales of printed books in the first half of 2023, according to Circana BookScan, a leading provider of book sales data. The Adult Fiction segment was the only one that grew, while other segments such as Adult Non-Fiction and Children's Books fell by approximately 5% and 6%, respectively.

The Company specialises in illustrated books, which are mainly in the Adult Non-Fiction and Children's Books segments. As mentioned above, these segments have been hit hard by the decline in demand for printed books.

The Directors believe that the De-listing will give the Board increased management flexibility to use and allocate resources more efficiently and effectively, without being constrained by the regulatory requirements and costs associated with being a listed company. For example, it will enable management to pursue potential M&A targets without having to incur high transaction fees to comply with the Listing Rules. The Directors also believe that the De-listing will enable the Company to implement long-term strategic and operational changes that will help it turnaround, improve its profitability and safeguard the competitiveness of its business in the global book market.

(2) Low Trading Volume

The London Stock Exchange does not offer an efficient market for investors to trade Common Shares in large volumes or with high frequency. The Company's Common Shares historically have a low average daily trading volume. This low trading volume makes the Company's share price susceptible to significant fluctuations after trades involving small numbers of shares.

(3) *Limited Liquidity and Free Float*

The Company's Common Shares suffer from limited liquidity and a low free float of approximately 17%. These factors limit the benefits that the Company can gain from accessing capital through the London Stock Exchange. For example, in the 2020 open offer, less than 19% of the newly issued shares were subscribed for by Shareholders other than the Company's two largest Shareholders. This demonstrates the difficulty that Quarto faces in raising capital on the London Stock Exchange. The Directors believe that as a private unlisted entity the Company would have greater flexibility to look at alternative sources of capital and structures which may not be suitable or available to the Company if it remains a listed entity.

(4) *Acquisition Hurdle and Cost*

The Board would like to grow Quarto through both organic and inorganic means. However, were the Company to consider an acquisition as a listed company, it would have to comply with the Listing Rules. That might, for example, require engagement and consultation with an FCA sponsor, the production of an FCA-approved circular and shareholder approval of the transaction. The Directors are of the view that, by De-listing, the Company will gain the flexibility to close future acquisitions more quickly without having to comply with the Listing Rules. The Directors are also of the opinion that the costs of complying with the Listing Rules for a material acquisition would be prohibitively high as compared with the costs of pursuing acquisitions as a private company.

(5) *Direct and Indirect Costs*

In addition, the Board believes that the De-listing will result in certain costs savings, plus administrative and transactional efficiencies. Maintaining Quarto's listing status on the London Stock Exchange incurs significant costs, management time, and legal and regulatory burdens in both the United Kingdom and Delaware. These expenses are disproportionate to the benefits received by the company. By delisting Quarto, the Director's anticipate direct cost savings for the Company of approximately £195,000 per annum.

The Board believes that there is a mismatch between the burden that the Company bears to maintain its status as a public listed company and the advantages that it gains from being listed.

4. Principal effects of De-listing

(1) *Trading and liquidity*

Following the De-listing, the Common Shares will no longer be traded on a public market or trading facility on any recognised investment exchange. As a result, a Shareholder and holder of Depository Interests will not be able to trade their Common Shares on the London Stock Exchange and, consequently, the opportunity for Shareholders and holders of Depository Interests to realise their investment in the Company will be limited.

Following publication of this Circular and following the De-listing, the liquidity and marketability of the Common Shares may be significantly reduced, and the value of such shares may be adversely affected as a consequence. It may also be more difficult for Shareholders and holders of Depository Interests to determine the market value of their investment in the Company at any given time.

As described above, however, if there is sufficient interest from Shareholders and holders of Depository Interests, it is the current intention of the Board to make the Tender Offer following the De-listing, which will enable Shareholders to sell some or all of their shares if they would like to do so. Furthermore, the Board will consider making arrangements for a matched bargain facility to be put in place in order to give Shareholders and holders of Depository Interests the opportunity to trade in the Common Shares after the De-listing and Tender Offer have completed. However, there are no guarantees that the Company will proceed with the Tender Offer and/or put in place a matched bargain facility.

(2) *Disclosure and Reporting*

The Company will no longer be subject to the regulatory and financial reporting regime applicable to companies whose shares are admitted to the Official List and to trading on the Main Market including the Listing Rules, the Disclosure and Transparency Rules, Market Abuse Regulations and the Corporate Governance Code. As a result, Shareholders and holders of Depository Interests will no longer be afforded the protections given by the Listing Rules such as:

- the requirements to provide trading updates;
- the requirements to notify and/or seek shareholder approval for certain events, including substantial transactions, financing transactions, related party transactions and fundamental changes in the Company's business, including certain acquisitions and disposals;
- the requirement to consult with its sponsor on, for example, transactions constituting certain types of "significant transaction" or "related party transactions" under those rules. Following the De-listing, the Shareholders will also no longer benefit from the protection afforded by the sponsor;
- as an unlisted company, the Company will be subject to fewer operational restrictions than as a listed company. In addition, as an unlisted company, the Company may be subject to less stringent accounting and reporting requirements; and
- there will be reduced controls over the terms of capital raises and issuances of new Common Shares to related parties (such as substantial Shareholders) and this could lead to substantial dilution for Shareholders.

In addition, Shareholders and holders of Depository Interests will also lose the protection of the Disclosure and Transparency Rules which includes, among others, the right to be notified of any inside information which directly concerns the Company (DTR 2), of transactions by persons discharging managerial responsibilities and their connected persons (DTR 3) and of any dealings by Shareholders and holders of Depository Interests who hold more than 3 per cent. of the Company's shares (DTR 5), as well as the requirements regarding periodic financial reporting (DTR 4).

The Company is not subject to the City Code on Takeovers and Mergers due to the fact that it is incorporated in the United States.

To mitigate the loss of protections set out above, after the De-listing has become effective, the Company will implement certain corporate governance and disclosure measures as set out below:

- The Board is committed to keeping Shareholders and holders of Depository Interests informed of key developments in the business, which it will do by sending the Company's annual report to Shareholders and holders of Depository Interests by post. Shareholders and holders of Depository Interests should be aware that there will be no obligation on the Company to include all of the information required by, or to update the website as required by, the Listing Rules.
- 1010 Printing Limited of the Lion Rock Group is a controlling shareholder of the Company. The Company and the controlling shareholder shall enter into a relationship agreement to ensure that the controlling shareholder does not exert improper influence over the Company and all transactions between the Company and the controlling shareholder shall be conducted at arm's length and on market terms and conditions.
- As part of the Lion Rock Group, which is listed on the Hong Kong Stock Exchange, the Company will provide updates in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(3) *Corporate Governance*

The Company will no longer be required to comply with the FRC's Corporate Governance Code or any of the additional corporate governance requirements applicable to companies admitted to the premium segment of the Official List of the FCA and to trading on the Main Market for listed securities of the London Stock Exchange. However, the Directors intend to continue to operate the Company for the benefit of all Shareholders and holders of Depository Interests. They also intend to continue to keep Shareholders and holders of Depository Interests informed of progress and remain committed to high standards of corporate governance. As such, the Company will hold shareholder meetings in accordance with statutory requirements and the Company's by-laws.

The Company intends to continue to hold timely Board meetings as issues arise which require the attention of the Board. The Board will continue to be responsible for the management of the business of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It will continue to be the Directors' responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company.

The Company does not currently envisage making any changes to its Board composition as a consequence of the De-listing.

(4) *Taxation*

The De-listing might have personal taxation consequences for Shareholders and holders of Depository Interests. Shareholders and holders of Depository Interests who are in any doubt about their tax position should consult their own professional independent adviser immediately.

(5) *Depository Interests*

Following the De-listing, those interests in Common Shares held as Depository Interests will remain in place until further notice.

The above considerations are not exhaustive, and Shareholders and holders of Depository Interests should seek their own independent advice when assessing the likely impact of De-listing on them.

5. Details of the De-listing and Process

In order to effect the De-listing, the Company will require, amongst other things that the Resolution is passed by not less than 75 per cent of votes cast at the Special Meeting and a majority of the votes attaching to the shares of Independent Shareholders who voted on the Resolution. The Resolution will authorise the Directors to cancel the listing of the Company's Common Shares on the Official List and remove the Company's Common Shares from trading on the Main Market.

Conditional on the Resolution having been approved by not less than 75 per cent of votes cast at the Special Meeting and a majority of the votes attaching to the shares of Independent Shareholders who voted on the Resolution, the Company will request that (i) the FCA cancel the listing of the Company's Common Shares on the Official List; and (ii) the London Stock Exchange remove the Common Shares from trading on the Main Market.

If the De-listing proceeds in accordance with the Proposal set out in this Circular, it is expected that:

- (a) the last day of dealings in the Company's Common Shares on the Main Market will be 17 January 2024; and
- (b) cancellation of the listing of Company's Common Shares on the Official List will take effect from 8.00 a.m. 18 January 2024, being not less than 20 Business Days from the date of the Special Meeting.

6. Potential Tender Offer

The Board is mindful that some Shareholders and holders of Depository Interests may prefer not to continue to own Common Shares following the De-listing. Therefore, the Board is considering giving Qualifying Shareholders an opportunity to tender some or all of their Common Shares, which will be bought back by the Company and cancelled pursuant to the Tender Offer.

The intention of the Board as at the date of this Circular is to launch the Tender Offer following completion of the De-listing. Shareholders and holders of Depository Interests will be communicated separately regarding the final terms of the Tender Offer and how to accept the Tender Offer. However, a summary of the key terms, which are currently proposed by the Board, is set out in this section 6.

The Company has received undertakings not to accept the Tender Offer (as implemented) from its major Shareholders (details set out in section 9 of Part I of this Circular). Therefore, to the extent that the Board decides to implement the Tender Offer, the current intention is that the Tender Offer will be for up to 10,000,000 Common Shares representing approximately 24.5 per cent. of the existing issued share capital of the Company. That is greater than the number of shares in public hands (as defined in the Listing Rules).

It is currently proposed that Qualifying Shareholders and qualifying holders of Depository Interests may tender any number of Common Shares up to their entire holding including, if a nominee, Common Shares held by them on behalf of underlying shareholders. Although there is a maximum size to the Tender Offer, and therefore a possibility of scaling back of tenders in certain circumstances, Qualifying Shareholders (including those holding as a nominee) and qualifying holders of Depository Interests are recommended to tender their entire shareholdings.

If the Tender Offer is not oversubscribed, then all applications are expected to be accepted in full. If the Tender Offer is oversubscribed, applications will be scaled back on a pro-rata basis. In the event of a scaling back, tenders will be rounded down to the nearest whole number of Common Shares. The aggregate number of Common Shares purchased in the Tender Offer will not in any event exceed the maximum of 10,000,000 Common Shares.

The current intention is that the tender price for the Tender Offer will be £1.50 per Common Share (the “**Tender Price**”), being a premium of 25.0 per cent. to the closing price on the Record Date, a premium of 28.7 per cent. to the three-month average closing share price, a premium of 4.6 per cent. to the six-month average closing share price and a premium of 0.8 per cent. to the nine-month average closing share price. Tenders will only be accepted at the Tender Price.

The Tender Offer (if implemented) will be financed from the Group’s existing cash resources and paid out of distributable reserves.

Shareholders and holders of Depository Interests should be aware that although as at the date of this Circular it is the intention of the Board to proceed with the Tender Offer, there can be no guarantee that the Company will actually make the Tender Offer and the Company reserves the right to change its intended plans and reduce the Tender Offer and/or to change any of the intended terms of the Tender Offer (as summarised above) and/or the Tender Price at any time if it considers it to be in the best interests of the Company, its Shareholders or holders of Depository Interests.

7. Outlook and current trading

The Company published its half-year results on 30 August 2023 and there have been no material changes to trading or management expectations since that date. Even though there has been significant improvement in terms of freight lead times and costs, the global market for illustrated books remains challenging post-COVID.

In the short term, the Company anticipates that revenue will remain soft in the challenging market, which is in line with the downward trend seen in the first half of the year. There will be considerable pressure on profitability as costs have increased in the inflationary environment. The Company remains focused on the second half of the year, which will be a significant period for Quarto as the Board expect the trading environment to continue to be challenging. The Company's strategy remains focused on keeping costs under control and driving sales.

In the medium term, as Quarto is going through a number of structural changes. On the publishing front, the Company is moving from the low risk/low return model to one of medium risk/medium return. The Company is investing in new publishing programs that involve better known authors and illustrators, and this transition will require several years of continuous investment to realise the potential benefits of the new publishing strategy.

The Company is also investing in a new enterprise resource planning system that will transform how Quarto will run its business. This system, which is being developed in-house, will enable Quarto to manage its daily business activities on one single platform. This integrated approach will help the Company improve its product development, planning, budgeting, and reporting. With this system, the Company will be able to streamline its processes, manage risks, and increase efficiency.

8. Special Meeting

The implementation of the De-listing is conditional upon, among other things, the approval of the Resolution being obtained at the Special Meeting. Accordingly, you will find set out at the end of this Circular a Special Meeting Notice convening a Special Meeting of the Company at 12.00 p.m. on 14 December 2023 at 1 Triptych Place, Second Floor, London, SE1 9SH.

At the Special Meeting, the Resolution will be proposed. The full text of the Resolution is included in the Special Meeting Notice.

9. Irrevocable Undertakings

The following Shareholders have given irrevocable undertakings: (i) to vote in favour of (or recommend to the registered holder that they vote in favour of) the Resolution at the Special Meeting; and (ii) not to accept the Tender Offer in the event that the Company implements the Tender Offer:

Registered Holder	Beneficial Holder	Total Number of Common Shares	Percentage of existing issued share capital of the Company
Fineco Bank	Andrea Giunti Lombardo	995,000	2.4%
UniCredit Bank	Andrea Giunti Lombardo	995,000	2.4%
Montecristo 2019 Srl	Andrea Giunti Lombardo	7,144,320	17.5%
HSBC Global Custody Nominee (UK)	1010 Printing Ltd	12,252,858	30.0%
1010 Printing Ltd	1010 Printing Ltd	8,225,148	20.1%
Total	-	29,612,326	72.4%

The irrevocable undertakings represent in aggregate of 29,612,326 Common Shares, representing in aggregate approximately 72.4% of the Company's issued share capital as at close of business on the Record Date.

10. Action to be taken

A Form of Proxy for use by Shareholders and a Form of Direction for use by holders of Depository Interests at the Special Meeting is being made available with this Circular. If you are a Shareholder or holder of Depository Interests, it is important that you complete the Form of Proxy or Form of Direction (as applicable) and return it to the Company in accordance with the instructions printed thereon as soon as possible and, in respect of the Form of Proxy, by no later than 48 hours before the time appointed for the Special Meeting (or any adjournment or postponement thereof). Notwithstanding the above any Form of Proxy that is received before the start of the Special Meeting will be valid. Shareholders and holders of Depository Interests are strongly encouraged to ensure that their votes are counted at the Special Meeting by appointing the chairman of the Special Meeting as their proxy and submitting their proxy forms in accordance with the instructions printed thereon. The completion and return of the Form of Proxy will not preclude you from attending the Special Meeting and voting in person if you wish to do so.

Set out on pages 18 to 20 of this Circular is the Special Meeting Notice convening the Special Meeting, to be held at 12.00 p.m. on 14 December 2023 at 1 Triptych Place, Second Floor, London, SE1 9SH.

11. Recommendation

The Board recognises that cancelling the Company's listing means Shareholders and holders of Depository Interests losing significant rights and protections. However, the Board is of the opinion that the Proposal set out in this Circular offers the best platform from which to secure value for all Shareholders and holders of Depository Interests. **The Board is also of the opinion that the Proposal is in the best interests of the Company, the Shareholders and holders of Depository Interests as a whole and unanimously support the Proposal. Accordingly, the Board unanimously recommends that Shareholders and holders of Depository Interests vote in favour of the Resolution to be proposed at the Special Meeting as set out in the Circular as each of the Directors intend to do (or procure to be done) in respect of their own beneficial holdings amounting to 72.5 per cent. of the Company's Common Shares as at the Record Date.**

Yours faithfully,

Andy Cumming
Chairman
For and on behalf of the Board

PART II
DEFINITIONS

The definitions set out below apply throughout this Circular, unless the context requires otherwise:

Board	the board of Directors of the Company from time to time
By-Laws	the existing by-laws of the Company as amended from time to time
Chairman	Andy Cumming
Circular	this circular to be sent to Shareholders including the Special Meeting Notice
Common Shares	shares of common stock of the Company, with a par value of US\$0.10 each
Company or Quarto	The Quarto Group Inc., a Delaware corporation with registered number 2104160
Controlling Shareholder	means any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378)
Depository	Link Market Services Trustees Limited
Depository Interests	dematerialised depository interests representing underlying Common Shares that can be settled electronically through and held in CREST, as issued by the Depository or its nominees who hold the underlying securities on trust
Directors	Andy Cumming, Chuk Kin Lau, Ken Fund, Jane Moriarty, Mei Lan Lam, Alison Goff and Andrea Giunti Lombardo
Disclosure and Transparency Rules	the disclosure guidance and transparency rules made by the FCA pursuant to section 73A of FSMA
Euroclear	Euroclear UK and Ireland Limited, the operator (as defined in the CREST Regulations) of CREST
FCA	the UK Financial Conduct Authority
Form of Direction	the form of direction for use by holders of Depository Interests of record at the Special Meeting
Form of Proxy	the form of proxy for use by Shareholders of record at the Special Meeting
FSMA	the UK Financial Services and Markets Act 2000, as amended
Group	the Company and its subsidiaries
Independent Shareholders	means any shareholder who is not a Controlling Shareholder
Listing Rules	the listing rules made by the FCA pursuant to Part VI of FSMA

London Stock Exchange	London Stock Exchange plc
Main Market	the London Stock Exchange's main market for listed securities
Official List	the Official List maintained by the FCA
Qualifying Shareholder	Shareholders who will be on the register of members of the Company as at the record date to be set for the Tender Offer other than shareholders in which the distribution of the tender offer document and/or making of the Tender Offer may be restricted by law
Record Date	the close of business at 5.30 p.m. on 28 November 2023
Registrar	Link Group at 10 th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Resolution	the resolution to be proposed at the Special Meeting set out in the Special Meeting Notice as described in section 2 of Part I of this Circular
Shareholders	holders of Common Shares
Special Meeting	the special meeting of the Shareholders of the Company to be held at 12.00 p.m. on 14 December 2023 at 1 Triptych Place, Second Floor, London, SE1 9SH
Special Meeting Notice	the notice convening the Special Meeting which is set out at the end of this Circular
Tender Offer	the proposed invitation by the Company to Qualifying Shareholders to tender their Common Shares on the terms and subject to the conditions that will be set out in a tender offer document and any associated acceptance forms if and when a tender offer is made by the Company
UK Corporate Governance Code	UK Corporate Governance Code, published by the Financial Reporting Council in July 2018
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or U.S. or US	the United States of America, its territories and possessions, any State of the United States and the District of Columbia

SPECIAL MEETING NOTICE

THE QUARTO GROUP INC.

(Incorporated under the Delaware General Corporation Law and registered in the State of Delaware with registered number 2104160)

NOTICE IS HEREBY GIVEN that a special meeting (“**Special Meeting**”) of The Quarto Group Inc. (“**Company**”) will be held at 12.00 p.m. on 14 December 2023 at 1 Triptych Place, Second Floor, London, SE1 9SH for the purpose of considering and, if thought fit, passing the following resolution (the “**Resolution**”).

RESOLUTION

1. THAT the proposed cancellation of the shares of common stock of the Company, with a par value of US\$0.10 each in the capital of the Company (the “**Common Shares**”) from admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange’s Main Market for listed securities (the “**De-listing**”) be and is hereby approved and that the directors of the Company be and are hereby authorised to cause such De-listing to be effected and to do or procure to be done all such acts or things as they may consider necessary or desirable in connection therewith.

By order of the Board
Michael Clarke
Company Secretary

Principal place of business
1 Triptych Place
Second Floor
London
SE1 9SH
United Kingdom

30 November 2023

Notes

- (1) Only Shareholders and holders of Depository Interests of record as at close of business at 5.30 p.m. on 28 November 2023 (“**Record Date**”) shall be entitled to receive notice of and vote at the Special Meeting (or any adjournments or postponements thereof) pursuant to Article I, Section 6 of the By-Laws. Changes to the stock ledger of the Company after the Record Date shall be disregarded in determining the rights of any Shareholder and holder of Depository Interests to receive notice of and vote at the Special Meeting (or any adjournments or postponements thereof).
- (2) Shareholders and holders of Depository Interests should nominate the “Chairman of the Meeting” to vote on their behalf using the Form of Proxy or Form of Direction or via the CREST system, as appropriate. It will not be possible to ask questions at the Special Meeting. However, Shareholders and holders of Depository Interests may submit questions in advance of the Special Meeting by sending their questions to questions@quarto.com. The Company will make every effort to respond to questions received. Note that these questions will not form part of the Special Meeting itself.
- (3) A Shareholder and holder of Depository Interests of record entitled to vote at the Special Meeting is entitled to appoint one or more persons as his proxy to attend and to vote in his stead. A proxy need not be a Shareholder or a holder of Depository Interests of the Company. Appointment of a proxy does not preclude a Shareholder or a holder of Depository Interests of record from attending the Special Meeting and voting in person. If you are a Shareholder or a holder of Depository Interests of record and have appointed a proxy and you attend the Special Meeting and vote in person, your proxy appointment will automatically be revoked, although your attendance at the Special Meeting will not itself revoke your proxy.
- (4) To appoint a proxy, Shareholders of record may use the Form of Proxy enclosed with this Special Meeting Notice. To be effective, such Form of Proxy (together with any power of attorney or other authority (if any) under which it is signed or a duly certified copy of the same) must be completed and lodged at the Company’s Registrar’s address at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, no later than 48 hours before the time appointed for the Special Meeting (or any adjournment or postponement thereof), i.e. 12.00 p.m. on 12 December, 2023. Notwithstanding the above, any Form of Proxy that is lodged before the time of the Special Meeting will be valid. Lodgement of such a Form of Proxy will not prevent a Shareholder of record from attending and voting in person at the Special Meeting.
- (5) Holders of Depository Interests representing shares in the Company can instruct Link Market Services Trustees (Nominees) Limited, the Depository, by using the Form of Direction enclosed with this Special Meeting Notice and returning it in the pre-paid envelope enclosed. Alternatively, they can submit or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer’s agent RA10 by 12.00 p.m. on 11 December, 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Link Market Services Trustees (Nominees) Limited via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company’s registrars by no later than 72 hours before the time appointed for the meeting, i.e. 12.00 p.m. on 11 December, 2023.
- (6) Any corporation which is a Shareholder or holder of Depository Interests can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder or holder of Depository Interests provided that they do not do so in relation to the same Common Shares.
- (7) In the case of joint holders, a proxy appointment should be executed by each holder personally.

- (8) As at the Record Date, the Company's issued share capital comprised 40,889,000 Common Shares. Each Common Share carries the right to one vote at the Special Meeting and, therefore, the total number of voting rights in the Company as at the Record Date is 40,889,000.
- (9) If your Common Shares are held of record by a broker, bank or other nominee, you may vote by submitting voting instructions to such broker, bank or other nominee. If your Common Shares are held of record by a broker, bank or other nominee and you wish to vote in person at the Special Meeting, you must obtain a proxy issued in your name from such broker, bank or other nominee.
- (10) A complete list of the Shareholders and holders of Depository Interests entitled to vote at the Special Meeting, arranged in alphabetical order, with the address of, and the number of Common Shares held by, each will, for a period of ten days prior to the Special Meeting, be kept at the Company's principal place of business at 1 Triptych Place, Second Floor, London, SE1 9SH, United Kingdom, and will be subject to inspection by any Shareholder and holder of Depository Interests during usual business hours for any proper purpose. The list will also be produced and kept at the time and place of the Special Meeting during the whole time thereof, and may be inspected by any Shareholder or holder of Depository Interests who is present.
- (11) References to times in this Special Meeting Notice are to London time.