

A Gift Card Empire's Collapse: Inside an \$100M International Fraud Ring



This is a case where scams, gift card fraud and retail fraud collide proving that all fraud intersects somewhere.

A Chinese crime syndicate orchestrated an elaborate \$100 million gift card fraud operation that preyed on vulnerable seniors, hacked U.S. companies, and used retail stores as unwitting participants in a global fraud.

The case, which was revealed in court documents, reveals how international exploited the gift card industry, and combined traditional scam techniques with cyber intrusions to create a super fraud scheme.

The Warehouse in New Hampshire

At the center of the operation was a warehouse in Salem, New Hampshire. From the warehouse, prosecutors say, fraudsters shipped millions of dollars worth of electronics purchased with fraudulent gift cards to destinations across Asia.

When federal agents raided the warehouse in January, they discovered approximately \$8 million in Apple products, stacks of gift cards, and computers actively processing gift card data. But perhaps the most interesting thing they found: nearly 2,000 counterfeit Apple devices that had been exchanged for legitimate store credits.

The WeChat Auction House

The fraud operation's nerve center wasn't in New Hampshire but it was on WeChat, the Chinese messaging platform. It was there, the fraudsters auctioned off fraudulently obtained gift cards daily to cells operating throughout the United States.

The case of "Victim A" from Washington state illustrates how the scheme worked:

- After being deceived into purchasing \$4,000 in gift cards at a Spokane store, the elderly victim's cards quickly appeared in a WeChat thread involving the defendant, Mengying Jiang, and 12 others.
- Within hours, the cards were being used to purchase electronics in New Hampshire.

The Human Cost

Behind the technology and financial complexity of these fraudsters schemes was the human cost.

In addition to detailing what happened to "Victim A," the court documents also detail the case of "Victim B" from Alabama, whose gift card was stolen.

- On December 28, 2023, the Alabama resident became entangled in the scheme when his gift card was stolen
- Very quickly after his gift card was stolen it was used hundreds of miles away on New Hampshire by a fraudster
- That same fraudster was pulled over and in his car they found over \$20,000 worth of electronics and other gift cards.

The scheme was particularly effective because it combined multiple types of fraud: cyber intrusions into U.S. companies (resulting in over \$5 million in fraudulent gift card orders in one case), romance scams, and elder fraud. The stolen cards were then quickly converted into high-value electronics, primarily Apple products, which were shipped to Vietnam, China, and Russia.

FILED - USDC - NH
CLERK OF DISTRICT COURT

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE**

UNITED STATES OF AMERICA

v.

MENGYING JIANG

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No. 24-cr-117-LM-TSM-01

PLEA AGREEMENT

Pursuant to Rule 11(c)(1)(B) of the Federal Rules of Criminal Procedure, the United States of America by its attorney, Jane E. Young, United States Attorney for the District of New Hampshire, and the defendant, Mengying Jiang, and the defendant’s attorney, Olivier Sakellarios, Esquire, enter into the following Plea Agreement:

1. The Plea and the Offense.

The defendant agrees to waive his right to have this matter presented to a grand jury and plead guilty to an Information charging him with Conspiracy to Commit Wire Fraud, in violation of 18 U.S.C. §§ 1343, 1349.

In exchange for the defendant’s guilty plea, the United States agrees to the sentencing stipulations identified in Section 6 of this agreement.

2. The Statute and Elements of the Offense.

Title 18, United States Code, Section 1349 provides, in pertinent part:

Any person who . . . conspires to commit any offense under this chapter shall be subject to the same penalties as those prescribed for the offense, the commission of which was the object of the attempt or conspiracy.

18 U.S.C. § 1349.

The defendant understands that the offense has the following elements, each of which the United States would be required to prove beyond a reasonable doubt at trial:

First, that the agreement specified in the Information, and not some other agreement or agreements, existed between at least two people to commit wire fraud; and

Second, that the defendant willfully joined in that agreement.

Pattern Criminal Jury Instructions for the District Courts of the First Circuit, District of Maine Internet Site Edition, 2024 Revisions, Instructions 4.18.1349 and 4.18.371(1).¹
<https://www.med.uscourts.gov/sites/med/files/crpjilinks.pdf>.

The underlying substantive offense of wire fraud, 18 U.S.C. § 1343, provides:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of [interstate or international] wire . . . shall be fined under this title or imprisoned not more than 20 years, or both.

This crime has four elements:

First, that there was a scheme, substantially as charged in the Information, to obtain money or property by means of false or fraudulent pretenses;

Second, that the scheme to obtain money or property by means of false or fraudulent pretenses involved a false statement, assertion, half-truth or knowing concealment concerning a material fact or matter;

Third, that the defendant knowingly and willfully participated in this scheme with the intent to defraud; and

Fourth, that for the purpose of executing the scheme or in furtherance of the scheme, the defendant caused an interstate or international wire communication to be used, or it was reasonably foreseeable that for the purpose of executing the scheme or in furtherance of the scheme, an interstate or international wire communication would be used, on or about the date alleged.

Pattern Criminal Jury Instructions for the District Courts of the First Circuit, District of Maine Internet Site Edition, 2024 Revisions, Instruction 4.18.1343,
<https://www.med.uscourts.gov/sites/med/files/crpjilinks.pdf>.

3. Offense Conduct.

¹ Proof of an overt act is not an element of conspiracy under 18 U.S.C. § 1349. *See United States v. Iwuala*, 789 F.3d 1, 9-10 (1st Cir. 2015); *accord United States v. Roy*, 783 F.3d 418, 420-21 (2d Cir. 2015).

The defendant stipulates and agrees that if this case proceeded to trial, the government would introduce evidence of the following facts, which would prove the elements of the offense beyond a reasonable doubt:

WeChat is a messaging app with servers located outside the United States and primarily in the People's Republic of China.

Homeland Security Investigations, the Internal Revenue Service, the U.S. Postal Inspection Service, and the Concord Police Department are investigating a scheme in which organized criminal elements in China have obtained at least \$100 million worth of fraudulent gift cards through multiple means, including cyber intrusions into U.S. companies, romance fraud, and elder fraud. These criminal enterprises use WeChat to auction off the fraudulent gift cards to cells operating in the United States. These auctions occur daily. The cells in turn disseminate and use the fraudulent gift cards to purchase goods, principally electronics and other high-worth items. The items are consolidated in warehouses for shipment to nations around the world, principally in East Asia and Southeast Asia.

Organized criminal elements in the United States have also purchased almost 50,000 genuine Apple products totaling over \$45 million and returned counterfeit devices originating from China. In exchange, the fraudsters receive gift cards or credit which can be used to acquire additional Apple products. The genuine devices are also consolidated in warehouses for shipment to countries around the world, predominately Vietnam, China, and Russia. These cells target states with no sales tax, including New Hampshire, to maximize profit.

The defendant, co-conspirator 1, co-conspirator 2, co-conspirator 3, and others known and unknown were members of one cell operating in New Hampshire. Co-conspirator 1 operated a warehouse in Salem, New Hampshire, from which large quantities of fraudulently-

acquired Apple products were shipped to China, Hong Kong, and other nations. The defendant and co-conspirator 2 bought fraudulent electronic gift cards in sales or auctions and either personally purchased Apple products or gave the gift cards to others, including co-conspirator 3, to purchase Apple products.

Company 1 is a corporation headquartered in the Northeastern United States that sells electronic gift cards and was the victim of a hack which resulted in fraudulent orders for gift cards worth over \$5 million. At least some of the fraudulent gift cards with a nominal value of approximately \$425,000 were disseminated over WeChat on October 18 and 19, 2023 and purchased by the defendant and co-conspirator 2. Some of those cards were used in New Hampshire on October 19, 2023. Specifically, security footage of a store in Salem, New Hampshire, showed that the defendant, co-conspirator 3, and two other males used large quantities of gift cards, including 35 cards originating from the Company 1 hack, to purchase \$12,356.65 worth of Apple products and other electronics.

Employees of multiple retailers in New Hampshire recognized the defendant and co-conspirator 3 as regular customers who bought large quantities of electronics with gift cards. Employees also reported that the defendant, co-conspirator 3, and others working with them would also sometimes return Apple products and get new gift cards in exchange.

Multiple gift cards used in the scheme were originally purchased by victims of elder and romance fraud across the United States. For example, sometime before December 13, 2023, Victim A, a resident of Washington state, was the victim of elder fraud. Victim A was deceived into purchasing \$4,000 worth of gift cards at a store in Spokane, Washington. One of the gift cards purchased by Victim A, ending -4131, was disseminated on WeChat and found on a WeChat thread involving the defendant, co-conspirator 2, and 12 other individuals. Co-

conspirator 2 then used WeChat to send the card information to the defendant and co-conspirator 3.

On December 28, 2023, Victim B, a resident of Alabama, was a victim of a gift card theft. He had purchased a gift card in Alabama that was subsequently used at a store in Concord, New Hampshire, without his permission. Surveillance footage from that store confirmed co-conspirator 3 used the stolen gift card.

On December 29, 2023, law enforcement arrested co-conspirator 3 after he used fraudulent gift cards in Merrimack County. A search warrant of co-conspirator 3's vehicle uncovered approximately \$20,000 worth of electronics and a large quantity of gift cards. A search of co-conspirator 3's phone showed that the defendant, co-conspirator 2, and co-conspirator 3 were on WeChat exchanging gift card numbers, PINs, and card balances. During a voluntary interview, co-conspirator 3 said he received lists of gift card numbers and would use those cards to purchase Apple products and electronics. He was paid a small commission for each item he purchased and delivered.

On January 4, 2024, law enforcement executed a search of the defendant and co-conspirator 2's apartment in Nashua, New Hampshire. The search uncovered a large quantity of Apple products in their original retail packaging, physical gift cards, counterfeit IDs, and approximately \$30,000 in U.S. currency. The search also uncovered the defendant's laptop, which was actively running a program processing large quantities of gift card data, and ledgers that kept track of payments, gift card data, and transactions. A search of the defendant's and co-conspirator 2's phones revealed that they were on multiple WeChat threads buying and disseminating gift cards, including a thread with co-conspirator 1. The defendant and co-conspirator 2's phones also contained many photos of Apple products purchased with gift cards

and shipping labels for co-conspirator 1's warehouse in Salem.

On January 9, 2024, law enforcement executed a search of co-conspirator 1's warehouse. The search uncovered Apple products with a retail value of approximately \$8 million, many gift cards, bundles of receipts of purchases paid for by gift cards, approximately \$10,000 in U.S. currency, and multiple electronic devices belonging to co-conspirator 1. Those devices included a desktop computer with multiple programs tracking shipments of Apple products, bundles of physical gift cards and credit cards, and shipping labels addressed to places in China.

Co-conspirator 1's warehouse was also used to return almost 2,000 counterfeit Apple products, including iPhones and iPads, worth almost \$2 million. The counterfeit Apple products were tied to 1,802 different email addresses, 1,626 different phone numbers, and 453 different names.

Searches of the defendant's and co-conspirator 1's phones confirmed that they used cryptocurrency to purchase fraudulent gift cards and transact with individuals purchasing the fraudulently obtained Apple products. Co-conspirator 1's phone was also used to disseminate some fraudulently obtained gift cards.

Toll records confirmed that the defendant, co-conspirator 1, co-conspirator 2, and co-conspirator 3 exchanged thousands of phone calls with each other between December 31, 2022, and January 10, 2024.

4. Penalties, Special Assessment and Restitution.

The defendant understands that the penalties for the offense are:

- A. A maximum prison term of 20 years (18 U.S.C. §§ 1349, 1343);
- B. A maximum fine of \$250,000 or twice the gross gain or loss, whichever is greater (18 U.S.C. §§ 1349, 3571(b)(3) or (d));
- C. A term of supervised release of not more than 3 years (18 U.S.C. §

3583(b)(2)). The defendant understands that the defendant's failure to comply with any of the conditions of supervised release may result in revocation of supervised release, requiring the defendant to serve in prison all or part of the term of supervised release, with no credit for time already spent on supervised release; and

- D. A mandatory special assessment of \$100, \$100 for each count of conviction, at or before the time of sentencing (18 U.S.C. § 3013(a)(2)(A)); and
- E. In addition to the other penalties provided by law, the Court may order the defendant to pay restitution to the victim(s) of the offense (18 U.S.C. § 3663 or § 3663A).

To facilitate the payment and collection of any restitution that may be ordered, the defendant agrees that, upon request, he will provide the United States with a financial disclosure statement and supporting financial documentation.

The defendant further agrees that, if restitution is ordered, it shall be due and payable immediately after the judgment is entered and is subject to immediate enforcement, in full, by the United States. If the Court imposes a schedule of payments, the defendant agrees that the schedule of payments is a schedule of the minimum payment due, and that the payment schedule does not prohibit or limit the methods by which the United States may immediately enforce the judgment in full, including, but not limited to, the Treasury Offset Program.

5. Sentencing and Application of the Sentencing Guidelines.

The defendant understands that the Sentencing Reform Act of 1984 applies in this case and that the Court is required to consider the United States Sentencing Guidelines as advisory guidelines. The defendant further understands that he has no right to withdraw from this Plea Agreement if the applicable advisory guideline range or his sentence is other than he anticipated.

The defendant also understands that the United States and the United States Probation Office shall:

- A. Advise the Court of any additional, relevant facts that are presently known or may subsequently come to their attention;
- B. Respond to questions from the Court;
- C. Correct any inaccuracies in the pre-sentence report;

- D. Respond to any statements made by him or his counsel to a probation officer or to the Court.

The defendant understands that the United States and the Probation Office may address the Court with respect to an appropriate sentence to be imposed in this case.

The defendant acknowledges that any estimate of the probable sentence or the probable sentencing range under the advisory Sentencing Guidelines that he may have received from any source is only a prediction and not a promise as to the actual sentencing range under the advisory Sentencing Guidelines that the Court will adopt.

6. Sentencing Stipulations and Agreements.

Pursuant to Fed. R. Crim. 11(c)(1)(B), the United States and the defendant stipulate and agree to the following:

- (a) The United States will recommend that the defendant be sentenced at the bottom of the applicable advisory sentencing guidelines range as determined by the Court; and
- (b) For purposes of Guidelines calculation, the loss amount attributable to the defendant is \$3 million.

The defendant understands that the Court is not bound by the foregoing agreements and, with the aid of a pre-sentence report, the Court will determine the facts relevant to sentencing. The defendant also understands that if the Court does not accept any or all of those agreements, such rejection by the Court will not be a basis for the defendant to withdraw his guilty plea.

The defendant understands and agrees that the United States may argue that other sentencing enhancements should be applied in determining the advisory guideline range in this case, and he is permitted to object to them.

The United States and the defendant are free to make recommendations with respect to

the terms of imprisonment, fines, conditions of probation or supervised release, and any other penalties, requirements, and conditions of sentencing as each party may deem lawful and appropriate, unless such recommendations are inconsistent with the terms of this Plea Agreement.

7. Acceptance of Responsibility.

The United States agrees that it will not oppose an appropriate reduction in the defendant's adjusted offense level, under the advisory Sentencing Guidelines, based upon the defendant's apparent prompt recognition and affirmative acceptance of personal responsibility for the offense. The United States, however, may oppose any adjustment for acceptance of responsibility if the defendant:

- A. Fails to admit a complete factual basis for the plea at the time he is sentenced or at any other time;
- B. Challenges the United States' offer of proof at any time after the plea is entered;
- C. Denies involvement in the offense;
- D. Gives conflicting statements about that involvement or is untruthful with the Court, the United States or the Probation Office;
- E. Fails to give complete and accurate information about his financial status to the Probation Office;
- F. Obstructs or attempts to obstruct justice, prior to sentencing;
- G. Has engaged in conduct prior to signing this Plea Agreement which reasonably could be viewed as obstruction or an attempt to obstruct justice, and has failed to fully disclose such conduct to the United States prior to signing this Plea Agreement;
- H. Fails to appear in court as required;
- I. After signing this Plea Agreement, engages in additional criminal conduct;
or

J. Attempts to withdraw his guilty plea.

The defendant understands and agrees that he may not withdraw his guilty plea if, for any of the reasons listed above, the United States does not recommend that he receive a reduction in his sentence for acceptance of responsibility.

The defendant also understands and agrees that the Court is not required to reduce the offense level if it finds that he has not accepted responsibility.

If the defendant's offense level is sixteen or greater, and he has assisted the United States in the investigation or prosecution of his own misconduct by timely notifying the United States of his intention to enter a plea of guilty, thereby permitting the United States to avoid preparing for trial and permitting the United States and the Court to allocate their resources efficiently, the United States will move, at or before sentencing, to decrease the defendant's base offense level by an additional one level pursuant to U.S.S.G. § 3E1.1(b).

8. Waiver of Trial Rights and Consequences of Plea.

The defendant understands that he has the right to be represented by an attorney at every stage of the proceeding and, if necessary, one will be appointed to represent him. The defendant also understands that he has the right:

- A. To plead not guilty or to maintain that plea if it has already been made;
- B. To be tried by a jury and, at that trial, to the assistance of counsel;
- C. To confront and cross-examine witnesses;
- D. Not to be compelled to provide testimony that may incriminate him; and
- E. To compulsory process for the attendance of witnesses to testify in his defense.

The defendant understands and agrees that by pleading guilty he waives and gives up the foregoing rights and that upon the Court's acceptance of his guilty plea, he will not be entitled to

a trial.

The defendant understands that if he pleads guilty, the Court may ask him questions about the offense, and if he answers those questions falsely under oath, on the record, and in the presence of counsel, his answers will be used against him in a prosecution for perjury or making false statements.

9. Acknowledgment of Guilt; Voluntariness of Plea.

The defendant understands and acknowledges that he:

- A. Is entering into this Plea Agreement and is pleading guilty freely and voluntarily because he is guilty;
- B. Is entering into this Plea Agreement without reliance upon any promise or benefit of any kind except as set forth in this Plea Agreement or revealed to the Court;
- C. Is entering into this Plea Agreement without threats, force, intimidation, or coercion;
- D. Understands the nature of the offense to which he is pleading guilty, including the penalties provided by law; and
- E. Is completely satisfied with the representation and advice received from his undersigned attorney.

10. Scope of Agreement.

The defendant acknowledges and understands that this Plea Agreement binds only the undersigned parties and cannot bind any other non-party federal, state or local authority. The defendant also acknowledges that no representations have been made to him about any civil or administrative consequences that may result from his guilty plea. The defendant further acknowledges that this Plea Agreement has been reached without regard to any civil tax matters that may be pending or which may arise involving the defendant.

11. Collateral Consequences.

The defendant understands that as a consequence of his guilty plea he will be adjudicated

guilty and may thereby be deprived of certain federal benefits and certain rights, such as the right to vote, to hold public office, to serve on a jury, or to possess firearms.

The defendant understands that, if he is not a citizen of the United States, his guilty plea to the charged offense will likely result in him being subject to immigration proceedings and removed from the United States by making him deportable, excludable, or inadmissible. The defendant also understands that if he is a naturalized citizen, his guilty plea may result in ending his naturalization, which would likely subject him to immigration proceedings and possible removal from the United States. The defendant understands that the immigration consequences of this plea will be imposed in a separate proceeding before the immigration authorities. The defendant wants and agrees to plead guilty to the charged offense regardless of any immigration consequences of this plea, even if this plea will cause his removal from the United States. The defendant understands that he is bound by his guilty plea regardless of any immigration consequences of the plea. Accordingly, the defendant waives any and all challenges to his guilty plea and to his sentence based on any immigration consequences and agrees not to seek to withdraw his guilty plea, or to file a direct appeal or any kind of collateral attack challenging his guilty plea, conviction, or sentence, based on any immigration consequences of his guilty plea.

12. Satisfaction of Federal Criminal Liability; Breach.

The defendant's guilty plea, if accepted by the Court, will satisfy his federal criminal liability in the District of New Hampshire arising from his participation in the conduct that forms the basis of the Information in this case.

The defendant understands and agrees that, if after entering this Agreement, he fails specifically to perform or fulfill completely each one of his obligations under this Agreement, fails to appear for sentencing, or engages in any criminal activity prior to sentencing, he will

have breached this Agreement.

If the United States, in its sole discretion, and acting in good faith, determines that the defendant committed or attempted to commit any further crimes, failed to appear for sentencing, or has otherwise violated any provision of this Agreement, the United States will be released from its obligations under this Agreement, including, but not limited to, any agreement it made to dismiss charges, forbear prosecution of other crimes, or recommend a specific sentence or a sentence within a specified range. The defendant also understands that he may not use his breach of this Agreement as a reason to withdraw his guilty plea or as a basis to be released from his guilty plea.

13. Waivers.

A. Appeal.

The defendant understands that he has the right to challenge his guilty plea and/or sentence on direct appeal. By entering into this Plea Agreement the defendant knowingly and voluntarily waives his right to challenge on direct appeal:

1. His guilty plea and any other aspect of his conviction, including, but not limited to, adverse rulings on pretrial suppression motion(s) or any other adverse disposition of pretrial motions or issues, or claims challenging the constitutionality of the statute of conviction; and
2. The sentence imposed by the Court if it is within, or lower than, the guideline range determined by the Court.

The defendant's waiver of his rights does not operate to waive an appeal based upon new legal principles enunciated in Supreme Court or First Circuit case law after the date of this Plea Agreement that have retroactive effect; or on the ground of ineffective assistance of counsel.

B. Collateral Review

The defendant understands that he may have the right to challenge his guilty plea and/or

sentence on collateral review, e.g., a motion pursuant to 28 U.S.C. §§ 2241 or 2255. By entering into this Plea Agreement, the defendant knowingly and voluntarily waives his right to collaterally challenge:

1. His guilty plea, except as provided below, and any other aspect of his conviction, including, but not limited to, adverse rulings on pretrial suppression motion(s) or any other adverse disposition of pretrial motions or issues, or claims challenging the constitutionality of the statute of conviction; and
2. The sentence imposed by the Court if it is within, or lower than, the guideline range determined by the Court.

The defendant's waiver of his right to collateral review does not operate to waive a collateral challenge to his guilty plea on the ground that it was involuntary or unknowing, or on the ground of ineffective assistance of counsel. The defendant's waiver of his right to collateral review also does not operate to waive a collateral challenge based on new legal principles enunciated by in Supreme Court or First Circuit case law decided after the date of this Plea Agreement that have retroactive effect.

C. Freedom of Information and Privacy Acts

The defendant hereby waives all rights, whether asserted directly or through a representative, to request or receive from any department or agency of the United States any records pertaining to the investigation or prosecution of the case(s) underlying this Plea Agreement, including without limitation any records that may be sought under the Freedom of Information Act, 5 U.S.C. §552, or the Privacy Act of 1974, 5 U.S.C. § 522a.

D. Appeal by the Government

Nothing in this Plea Agreement shall operate to waive the rights or obligations of the Government pursuant 18 U.S.C. § 3742(b) to pursue an appeal as authorized by law.

14. No Other Promises.

The defendant acknowledges that no other promises, agreements, or conditions have been entered into other than those set forth in this Plea Agreement or revealed to the Court, and none will be entered into unless set forth in writing, signed by all parties, and submitted to the Court.

15. Final Binding Agreement.


None of the terms of this Plea Agreement shall be binding on the United States until this Plea Agreement is signed by the defendant and the defendant's attorney and until it is signed by the United States Attorney for the District of New Hampshire, or an Assistant United States Attorney.

16. Agreement Provisions Not Severable.

The United States and the defendant understand and agree that if any provision of this Plea Agreement is deemed invalid or unenforceable, then the entire Plea Agreement is null and void and no part of it may be enforced.

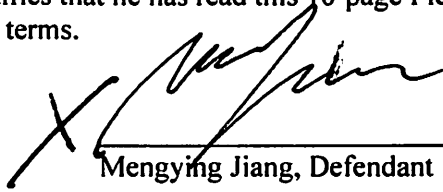
JANE E. YOUNG
United States Attorney

Date: 12/11/2024

By: 
Alexander S. Chen
Assistant United States Attorney
MA Bar Association #698458
53 Pleasant St., 4th Floor
Concord, NH 03301
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The defendant, Mengying Jiang, certifies that he has read this 16-page Plea Agreement and that he fully understands and accepts its terms.

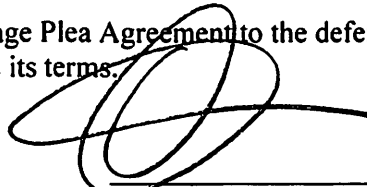
Date: 12/10/24



Mengying Jiang, Defendant

I have read and explained this 16-page Plea Agreement to the defendant, and he has advised me that he understands and accepts its terms.

Date: 12/10/24



Olivier Sakellarios, Esquire
Attorney for Mengying Jiang