JOHN HANCOCK PREFERRED INCOME FUND II
Form N-CSR
October 08, 2009

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811- 21202

John Hancock Preferred Income Fund II
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210
(Address of principal executive offices) (Zip code)

Salvatore Schiavone
Treasurer

601 Congress Street

Boston, Massachusetts 02210

(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4497

Date of fiscal year end: July 31

Date of reporting period: July 31, 2009

ITEM 1. REPORT TO SHAREHOLDERS.

Discussion of Fund performance

By MFC Global Investment Management (U.S.), LLC

Preferred stocks endured extreme volatility during the 12-month period ended July 31, 2009, coming under severe pressure throughout much of the period but rallying strongly in the final months. For the 12 months ended July 31, 2009, John Hancock Preferred Income Fund II returned 1.15% at net asset value (NAV) and 4.92% at market value. The difference in the Funds NAV performance and its market performance stems from the fact that the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Funds NAV share price at any time. For the same 12-month period, the Merrill Lynch Preferred Stock Hybrid Securities Index returned 3.81% and the Barclays Capital U.S. Aggregate Bond Index returned 7.85%.

The Fund outpaced the Merrill Lynch Preferred Stock Hybrid Securities Index primarily due to advantageous security selection, a significant underweighting in struggling real estate investment trusts, and a non-index stake in preferred stocks eligible for the tax benefits known as Dividends Received Deduction. These stocks fell the hardest and rebounded most in the period. On March 2, 2009, the Fund declared a monthly distribution of $0.124 per share, a decrease of 20% from its previous monthly distribution of $0.155. This action was made in response to the lower net investment income, uncertainty over dividends, extreme market volatility and unprecedented economic circumstances.

The Funds best performers included JPMorgan Chase, U.S. Bancorp (USB Capital) and Morgan Stanley. These stocks came roaring back in the final months of the period as investors applauded their repayment of government funds and better-than-expected financial results. In contrast, holdings in diversified lender CIT Group Inc. and SLM Corp. were hurt by credit-rating downgrades. Among our utility preferreds, better-performing stocks included PPL Energy Supply, LLC and Westar Energy, Inc., both of which were helped by strong investor demand for their investment-grade ratings and steady history of paying dividends.

This commentary reflects the views of the portfolio management team through the end of the Funds period discussed in this report. The teams statements reflect its own opinions. As such they are in no way guarantees of future events and are not intended to be used as investment advice or a recommendation regarding any specific security. They are also subject to change at any time as market and other conditions warrant.

Past performance is no guarantee of future results.

The Fund normally will invest at least 25% of its managed assets in securities of companies in the utilities industry. When the Funds investments focus on one or more sectors of the economy, they are far less diversified than the broad securities markets. This means that the Fund may be more volatile than other mutual funds, and the values of its investments may go up and down more rapidly. Specifically, utilities can be hurt by higher interest costs in connection with capital construction programs, costs associated with environmental and other regulations and the effects of economic declines, surplus capacity and increased competition. In addition, financial services companies can be hurt by economic declines, changes in interest rates, regulatory and market impacts. International investing involves special risks such as political, economic and currency risks and differences in accounting standards and financial reporting. These risks are more significant in emerging markets.

Portfolio summary

Top 10 holdings[1]

Nexen, Inc., 7.35%	4.6%	PPL Energy Supply, LLC, 7.00%	3.1%
DPL Capital Trust II, 8.125%	4.1%	PFGI Capital Corp., 7.75%	3.1%
Interstate Power & Light Co., 8.375%, Ser B	3.7%	ING Groep NV, 7.05%	2.9%
Viacom, Inc., 6.85%	3.6%	Telephone & Data Systems, Inc., 7.60%	2.9%
Metlife, Inc., 6.50%, Ser B	3.4%	Comcast Corp., 7.00%, Ser B	2.9%

Sector composition[2,3]

Financials	47%	Energy	6%
Utilities	28%	Consumer staples	2%
Consumer discretionary	8%	Other	2%
Telecommunication services	7%		

Country composition[2]

United States	85%	Netherlands	4%
United Kingdom	5%	Spain	1%
Canada	5%		

1 As a percentage of the Fund's total investments on July 31, 2009. Excludes cash and cash equivalents.

2 As a percentage of the Fund's total investments on July 31, 2009.

3 Investments focused on one sector may fluctuate more widely than investments diversified across sectors. Because the Fund may focus on particular sectors, its performance may depend on the performance of those sectors.

FINANCIAL STATEMENTS

Fund□s investments

Securities owned by the Fund on 7-31-09

	Rate	Maturity date	Par value	Value
Bonds 14.51%				**$49,836,745**
(Cost $53,747,769)				
Diversified Banks 0.85%				**2,920,000**
Lloyds TSB Bank PLC, Sub Note	6.900%	11-29-49	$4,000,000	2,920,000
Electric Utilities 7.54%				**25,895,381**
DPL Capital Trust II, Gtd Sub Bond	8.125	09-01-31	22,150,000	21,056,456
Entergy Gulf States, Inc., 1st Mtg Bond (Z)	6.200	07-01-33	5,000,000	4,838,925
Multi-Utilities 3.91%				**13,425,364**
Dominion Resources Capital Trust I Gtd Jr Sub Bond (Z)	7.830	12-01-27	8,450,000	8,257,754
Dominion Resources Capital Trust III Gtd Jr Sub Bond (Z)	8.400	01-15-31	5,000,000	5,167,610
Oil & Gas Storage & Transportation 2.21%				**7,596,000**
Southern Union Co.,				

Jr Sub Note, Ser A (7.200% to				
11-01-11 then variable) (Z)	7.200	11-01-66	10,550,000	7,596,000

	Shares	Value
Common stocks 1.47%		**$5,040,900**
(Cost $4,744,765)		
Gas Utilities 0.16%		**543,200**
Atmos Energy Corp.	20,000	543,200
Integrated Telecommunication Services 1.26%		**4,314,100**
AT&T, Inc.	85,000	2,229,550
Verizon Communications, Inc.	65,000	2,084,550
Oil & Gas Storage & Transportation 0.05%		**183,600**
Spectra Energy Corp. (Z)	10,000	183,600

	Shares	Value
Preferred stocks 131.85%		**$452,976,371**
(Cost $541,274,124)		
Agricultural Products 2.96%		**10,170,000**
Ocean Spray Cranberries, Inc., 6.250%, Ser A (S)(Z)	160,000	10,170,000
Broadcasting & Cable TV 1.30%		**4,452,273**
CBS Corp., 7.250%	67,000	1,326,600
CBS Corp., 6.750% (Z)	168,500	3,125,673

See notes to financial statements

FINANCIAL STATEMENTS

	Shares	Value
Cable & Satellite 5.08%		**$17,442,605**
Comcast Corp., 7.000%, Ser B (Z)	610,000	14,725,400
Comcast Corp., 6.625% (Z)	118,500	2,717,205
Consumer Finance 6.06%		**20,829,908**
HSBC Finance Corp., 6.875% (Z)	310,900	6,908,198
HSBC Finance Corp., 6.000% (Z)	72,200	1,412,232
HSBC Finance Corp., 6.360%, Depositary Shares, Ser B (Z)	143,200	2,561,848
HSBC Holdings PLC, 6.200%, Ser A (Z)	254,600	5,109,822
SLM Corp., 6.970%, Ser A (Z)	64,000	1,923,200
SLM Corp., 6.000% (Z)	196,800	2,914,608
Diversified Banks 15.00%		**51,540,491**
Barclays Bank PLC, 8.125%, Ser 5	129,000	2,954,100
Barclays Bank PLC, 7.100%, Ser 3 (Z)	310,000	6,531,700
Fleet Capital Trust VIII, 7.200% (Z)	332,000	6,606,800
Republic New York Corp., 6.250%, Ser HSBC (Z)	45,400	837,176
Royal Bank of Scotland Group PLC, 7.250%, Ser T (Z)	26,000	406,900

Royal Bank of Scotland Group PLC, 5.750%, Ser L (Z)	482,733	5,831,415
Santander Finance Preferred SA, 6.410%, Ser 1 (Z)	205,000	4,614,550
Sovereign Bancorp, Inc., 7.300%, Depositary Shares, Ser C (Z)	105,567	2,418,540
USB Capital VIII, 6.350%, Ser 1 (Z)	122,000	2,712,060
USB Capital X, 6.500%	15,000	336,000
Wachovia Preferred Funding Corp., 7.250%, Ser A (Z)	170,000	3,469,700
Wells Fargo & Co., 8.000% (Z)	485,000	11,615,750
Wells Fargo Capital Trust IV, 7.000% (Z)	130,000	3,205,800
Diversified Financial Services 17.47%		**60,007,457**
ABN AMRO Capital Funding Trust V, 5.900% (Z)	399,389	5,541,065
ABN AMRO Capital Funding Trust VII, 6.080% (Z)	144,889	1,989,400
BAC Capital Trust II, 7.000% (Z)	22,289	454,720
Citigroup Capital VIII, 6.950%	652,889	12,635,550
Deutsche Bank Capital Funding Trust X, 7.350%	69,889	1,487,500
Deutsche Bank Contingent Capital Trust II, 6.550%	159,889	3,156,800
Deutsche Bank Contingent Capital Trust III, 7.600%	302,889	6,641,760
ING Groep NV, 7.050% (Z)	775,588	14,862,412

JPMorgan Chase & Co., 6.150%, Ser E (Z)	284,889	13,238,250
Diversified Metals & Mining 0.34%		**1,153,000**
Freeport-McMoRan Copper & Gold, Inc., 6.750%	12,500	1,153,000
Electric Utilities 18.54%		**63,710,804**
Duquesne Light Co., 6.500% (Z)	98,450	4,411,791
Entergy Texas, Inc., 7.875%	33,000	859,980
FPC Capital I, 7.100%, Ser A (Z)	300,000	7,431,000
FPL Group Capital Trust I, 5.875% (Z)	225,000	5,544,000

See notes to financial statements

	Shares	Value
Electric Utilities (continued)		
Georgia Power Capital Trust VII, 5.875% (Z)	95,000	$2,304,700
HECO Capital Trust III, 6.500% (Z)	153,000	3,520,530
Interstate Power & Light Co., 8.375%, Ser B (Z)	699,350	18,889,444
NSTAR Electric Co., 4.780% (Z)	15,143	1,091,716
PPL Energy Supply, LLC, 7.000% (Z)	626,184	16,074,143
Southern California Edison Co., 6.000%, Ser C (Z)	20,000	1,535,000

Westar Energy, Inc., 6.100% (Z)	85,000	2,048,500
Gas Utilities 2.38%		**8,160,900**
Southwest Gas Capital II, 7.700% (Z)	330,000	8,160,900
Integrated Telecommunication Services 0.16%		**548,520**
AT&T, Inc., 6.375% (Z)	21,000	548,520
Investment Banking & Brokerage 9.34%		**32,081,766**
Credit Suisse Guernsey, 7.900%	85,000	2,125,000
Lehman Brothers Holdings Capital Trust III, 6.375%, Ser K (I)	177,000	30,090
Lehman Brothers Holdings Capital Trust V, 6.000%, Ser M (I)	46,600	6,058
Lehman Brothers Holdings, Inc., 5.940%, Depositary Shares, Ser C (I)	145,200	4,356
Merrill Lynch Preferred Capital Trust III, 7.000% (Z)	360,400	6,728,668
Merrill Lynch Preferred Capital Trust IV, 7.120% (Z)	172,200	3,237,360
Merrill Lynch Preferred Capital Trust V, 7.280% (Z)	275,000	5,285,500
Morgan Stanley Capital Trust III, 6.250% (Z)	286,779	5,873,234
Morgan Stanley Capital Trust IV, 6.250% (Z)	105,000	2,150,400
Morgan Stanley Capital Trust V, 5.750% (Z)	352,500	6,641,100
Life & Health Insurance 10.71%		**36,783,549**
Aegon NV, 6.375% (Z)	355,000	5,680,000

Metlife, Inc., 6.500%, Ser B (Z)	770,000	17,633,000
Phoenix Cos., Inc., 7.450% (Z)	229,300	3,515,169
PLC Capital Trust IV, 7.250% (Z)	389,500	7,766,630
Prudential PLC, 6.500% (Z)	103,000	2,188,750
Movies & Entertainment 5.43%		**18,645,376**
Viacom, Inc., 6.850% (Z)	834,245	18,645,376
Multi-Utilities 9.64%		**33,135,779**
Baltimore Gas & Electric Co., 6.990%, Ser 1995 (Z)	39,870	3,378,983
BGE Capital Trust II, 6.200% (Z)	474,700	9,375,325
DTE Energy Trust I, 7.800% (Z)	287,200	7,180,000
Public Service Electric & Gas Co., 4.180%, Ser B (Z)	4,805	336,446
South Carolina Electric & Gas Co., 6.520% (Z)	15,000	1,415,625
Xcel Energy, Inc., 7.600% (Z)	437,000	11,449,400
Oil & Gas Exploration & Production 6.95%		**23,885,325**
Nexen, Inc., 7.350% (Z)	1,151,100	23,885,325
Oil & Gas Storage & Transportation 0.66%		**2,257,580**
Southern Union Co., 7.550%	91,400	2,257,580

See notes to financial statements

FINANCIAL STATEMENTS

	Shares	Value
Real Estate Investment Trusts 4.16%		**$14,301,710**
Duke Realty Corp., 6.600%, Depositary Shares, Ser L (Z)	109,840	1,884,854
Duke Realty Corp., 6.500%, Depositary Shares, Ser K (Z)	110,000	1,826,000
Duke Realty Corp., 6.625%, Depositary Shares, Ser J (Z)	449,400	7,522,956
Public Storage, Inc., 6.450%, Depositary Shares, Ser X (Z)	30,000	615,900
Public Storage, Inc., 7.500%, Depositary Shares, Ser V (Z)	100,000	2,452,000
Regional Banks 4.61%		**15,853,882**
PFGI Capital Corp., 7.750% (Z)	686,000	15,853,882
Reinsurance 0.17%		**599,625**
RenaissanceRe Holdings Ltd., 6.080%, Ser C (Z)	32,500	599,625
Specialized Finance 0.71%		**2,435,000**
CIT Group, Inc., 6.350%, Ser A (Z)	100,000	230,000
Repsol International Capital Ltd., 7.450%, Ser A (Z)	90,000	2,205,000
Thrifts & Mortgage Finance 1.34%		**4,602,000**
Sovereign Capital Trust V, 7.750% (Z)	195,000	4,602,000
U.S. Government Agency 0.04%		**139,500**

Federal National Mortgage Assn. (8.250% to 12-31-10 then variable) (I)	75,000	139,500
Wireless Telecommunication Services 8.80%		**30,239,321**
Telephone & Data Systems, Inc., 6.625% (Z)	155,000	3,092,250
Telephone & Data Systems, Inc., 7.600% (Z)	666,834	14,843,725
United States Cellular Corp., 7.500% (Z)	559,243	12,303,346

	Rate	Maturity date	Par value	Value
Short-term investments 2.27%				**$7,799,961**
(Cost $7,799,961)				
U.S. Government Agency 2.27%				**7,799,961**
Federal Home Loan Bank, Discount Note	0.09%	08-03-09	$7,800,000	7,799,961
Total investments (Cost $607,566,619)150.10%				**$515,653,977**
Other assets and liabilities, net (50.10%)				**($172,108,294)**
Total net assets 100.00%				**$343,545,683**

The percentage shown for each investment category is the total value of that category as a percentage of the Funds net assets.

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Notes to Schedule of Investments

(I) Non-income producing security.

(S) This security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers, in transactions exempt from registration.

(Z) All or a portion of this security is segregated as collateral for the Committed Facility Agreement (see Note 9). Total collateral value at July 31, 2009 was $404,538,990.

 At July 31, 2009, the aggregate cost of investment securities for federal income tax purposes was $607,813,696. Net unrealized depreciation aggregated $92,159,719, of which $8,533,113 related to appreciated investment securities and $100,692,832 related to depreciated investment securities.

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Financial statements

Statement of assets and liabilities 7-31-09

This Statement of Assets and Liabilities is the Fund's balance sheet. It shows the value of what the Fund owns, is due and owes. You'll also find the net asset value for each common share.

Assets	
Investments, at value (Cost $607,566,619)	$515,653,977
Cash	4,916,300
Dividends and interest receivable	2,382,095
Other receivables and prepaid assets	20,753
Total assets	**522,973,125**
Liabilities	
Payable for investments purchased	3,841,070
Committed facility agreement payable (Note 9)	169,700,000
Unrealized depreciation of swap contracts (Note 3)	5,725,745
Interest payable (Note 9)	11,858
Payable to affiliates	
Accounting and legal services fees	17,862
Other liabilities and accrued expenses	130,907

Total liabilities	**179,427,442**

Net assets

Capital paid-in	$497,140,837
Accumulated distributions in excess of net investment income	(20,060)
Accumulated net realized loss on investments, financial futures contracts and swap agreements	(55,936,707)
Net unrealized depreciation on investments and swap agreements	(97,638,387)
Net assets	**$343,545,683**

Net asset value per share

Based on 21,182,284 shares of beneficial interest outstanding unlimited number of shares authorized with no par value.	$16.22

See notes to financial statements

FINANCIAL STATEMENTS

Statement of operations For the year ended 7-31-09

This Statement of Operations summarizes the Funds investment income earned and expenses incurred in operating the Fund. It also shows net gains and losses for the period stated.

Investment income

Dividends	$36,640,340
Interest	4,241,720
Total investment income	**40,882,060**

Expenses

Investment management fees (Note 6)	3,227,802
Transfer agent fees	49,282
Accounting and legal services fees (Note 6)	68,125
Trustees fees	40,367

Printing fees	179,652
Professional fees	165,795
Custodian fees	70,592
Stock exchange listing fees	23,782
Interest expense (Note 9)	3,319,286
Miscellaneous	23,434
Total expenses	**7,168,117**
Less expense reductions (Note 6)	(506,099)
Net expenses	**6,662,018**
Net investment income	**34,220,042**
Realized and unrealized gain (loss)	
Net realized gain (loss) on	
Investments	(40,410,651)
Financial futures contracts (Note 3)	544,087
Swap contracts (Note 3)	(2,178,005)
	(42,044,569)
Change in net unrealized appreciation (depreciation) of	
Investments	4,951,563
Financial futures contracts (Note 3)	4,104
Swap contracts (Note 3)	(4,054,534)
	901,133
Net realized and unrealized loss	**(41,143,436)**
Decrease in net assets from operations	**($6,923,394)**

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Statements of changes in net assets

These Statements of Changes in Net Assets show how the value of the Fund□s net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Fund share transactions.

	Year ended 7-31-09	**Year ended 7-31-08**
Increase (decrease) in net assets		
From operations		
Net investment income	$34,220,042	$44,046,789
Net realized loss	(42,044,569)	(14,147,886)
Change in net unrealized appreciation (depreciation)	901,133	(82,332,035)
Distributions to APS	—	(9,833,938)
Decrease in net assets resulting from operations	**(6,923,394)**	**(62,267,070)**
Distributions to shareholders		
From net investment income	(31,802,930)	(38,851,045)
From net realized gain	—	(122,530)
From tax return of capital	(4,250,903)	(443,140)
Total distributions	**(36,053,833)**	**(39,416,715)**
From Fund share transactions (Note 7)	**696,291**	—
Total decrease	**(42,280,936)**	**(101,683,785)**
Net assets		
Beginning of year	385,826,619	487,510,404
End of year	**$343,545,683**	**$385,826,619**
Accumulated distributions in excess of net investment income	**($20,060)**	**($14,790)**

See notes to financial statements

FINANCIAL STATEMENTS

Statement of cash flows 7-31-09

	For the year ended 7-31-09
Cash flows from operating activities	
Net decrease in net assets from operations	($6,923,394)
Adjustments to reconcile net increase/decrease in net assets from operations to net cash provided by operating activities:	
Long-term investments purchased	(63,643,555)
Long-term investments sold	88,951,156
Decrease in short-term investments	(7,799,961)
Net amortization of premium (discount)	405,087
Decrease in dividends and interest receivable	150,901
Decrease in receivable from affiliates	25,938
Increase in payable for investments purchased	3,841,070
Decrease in receivable for investments sold	867,011
Decrease in cash collateral at broker for futures contracts	388,800
Decrease in prepaid arrangement fees	358,222
Increase in other receivables and prepaid expenses	(8,724)
Increase in unrealized depreciation of swap contracts	4,054,534
Decrease in payable for futures variation margin	(155,250)
Decrease in payable to affiliates	(39,566)
Decrease in interest payable	(19,980)
Decrease in other liabilities and accrued expenses	(121,060)
Net change in unrealized (appreciation) depreciation on investments	(4,951,563)
Net realized loss on investments	40,410,651
Net cash provided by operating activities	**$55,790,317**
Cash flows from financing activities	
Borrowings from committed facility agreement payable	53,400,000
Repayments of committed facility agreement payable	(67,700,000)
Repayments of amounts due to custodian	(1,216,475)
Reinvest of common shares	696,291
Distributions to common shareholders	(36,053,833)
Net cash used in financing activities	**($50,874,017)**

Net increase in cash	**$4,916,300**
Cash at beginning of period	**$0**
Cash at end of period	**$4,916,300**
Supplemental disclosure of cash flow information	
Cash paid for interest	**$3,339,266**

See notes to financial statements

F I N A N C I A L   S T A T E M E N T S

Financial highlights

The Financial Highlights show how the Fund’s net asset value for a share has changed since the end of the previous period.

COMMON SHARES Period ended	**7-31-09**	**7-31-08**	**7-31-07**	**7-31-06**	**7-31-05**[1]
Per share operating performance					
Net asset value, beginning of year	**$18.26**	**$23.08**	**$23.98**	**$26.02**	**$24.84**
Net investment income[2]	1.62	2.08	2.24	2.33	2.33
Net realized and unrealized gain (loss)					
on investments	(1.95)	(4.56)	(0.24)	(1.71)	1.16
Distribution to APS (Note 8)	—	(0.47)	(0.61)	(0.50)	(0.30)
Total from investment operations	**(0.33)**	**(2.95)**	**1.39**	**0.12**	**3.19**
Less distributions to common shareholders					
From net investment income	(1.51)	(1.84)	(1.86)	(1.86)	(2.01)
From net realized gain	—	(0.01)	(0.43)	(0.30)	—
From tax return of capital	(0.20)	(0.02)	—	—	—
Total distributions	**(1.71)**	**(1.87)**	**(2.29)**	**(2.16)**	**(2.01)**
Net asset value, end of year	**$16.22**	**$18.26**	**$23.08**	**$23.98**	**$26.02**
Per share market value, end of year	**$16.06**	**$17.43**	**$22.64**	**$23.55**	**$23.67**
Total return at net asset value (%)[3,4]	**1.15**	**(13.31)**	**5.70**	**1.50**	**13.74**[5]
Total return at market value (%)[3,4]	**4.92**	**(15.65)**	**5.58**	**9.57**	**5.55**

Ratios and supplemental data

Net assets applicable to common shares, end of year (in millions)	$344	$386	$488	$505	$548
Ratios (as a percentage of average net assets):					
Expenses before reductions (excluding interest expense)	1.37	1.42	1.34	1.36	1.38
Interest expense (Note 9)	1.18	0.30	—	—	—
Expenses before reductions (including interest expense)[6]	2.55	1.72	1.34	1.36	1.38
Expenses net of all fee waivers (excluding interest expense)	1.19	1.16	1.05	1.06	1.09
Expenses net of all fee waivers (including interest expense)[7]	2.37	1.46	1.05	1.06	1.09
Net investment income[8]	12.16	9.94	9.18	9.47	9.08
Portfolio turnover (%)	15	10	19	15	15

See notes to financial statements

F I N A N C I A L   S T A T E M E N T S

Financial highlights (continued)

Period ended	**7-31-09**	**7-31-08**	**7-31-07**	**7-31-06**	**7-31-05**[1]
Senior securities					
Total value of APS outstanding (in millions)	—	—[9]	$254	$254	$254
Involuntary liquidation preference per unit (in thousands)	—	—	$25	$25	$25
Average market value per unit (in thousands)	—	—	$25	$25	$25
Asset coverage per unit[10]	—	—	$72,354	$74,047	$78,290
Total debt outstanding end of period (in millions) (Note 9)	$170	$184	—	—	—
Asset coverage per $1,000 of APS[11]	—	—	$2,919	$2,988	$3,158
Asset coverage per $1,000 of debt[12]	$3,024	$3,097	—	—	—

[1] Audited by previous Independent Registered Public Accounting Firm.

[2] Based on the average of the shares outstanding.

[3] Total returns would have been lower had certain expenses not been reduced during the periods shown.

[4] Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gain distributions, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

[5] Unaudited.

[6] Ratios calculated on the basis of gross expenses relative to the average net assets of common shares that do not take into consideration expense reductions during the periods shown. Without the exclusion of preferred shares, the annualized ratios of gross expenses would have been 0.94%, 0.91% and 0.90% for the years ended 7-31-05, 7-31-06 and 7-31-07, respectively.

[7] Ratios calculated on the basis of net expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratios of net expenses would have been 0.74%, 0.71% and 0.70% for the years ended 7-31-05, 7-31-06 and 7-31-07, respectively.

[8] Ratios calculated on the basis of net investment income relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratios of net investment income would have been 6.18%, 6.36% and 6.15% for the years ended 7-31-05, 7-31-06 and 7-31-07, respectively.

[9] In May 2008, the Fund entered into a Committed Facility Agreement with a third-party commercial bank in order to redeem the APS. The redemption of all APS was completed on May 28, 2008 (Note 9).

[10] Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing such amount by the number of APS outstanding as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

[11] Asset coverage equals the total net assets plus APS divided by the APS of the Fund outstanding at period end (Note 8).

[12] Asset coverage equals the total net assets plus borrowings divided by the borrowing of the Fund outstanding at period end (Note 8).

See notes to financial statements

Notes to financial statements

Note 1
Organization

John Hancock Preferred Income Fund II (the Fund) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund began operations on November 29, 2002. The Fund's primary investment objective is to provide a high level of current income, consistent with preservation of capital, with a secondary investment objective to provide growth of capital to the extent consistent with its primary investment objective.

Note 2
Significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

Security valuation

Investments are stated at value as of the close of the regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. Equity securities held by the Fund are valued at the last sale price or official closing price (closing bid price or last evaluated price if no sale has occurred) as of the close of business on the principal securities exchange (domestic or foreign) on which they trade. Debt obligations are valued based on the evaluated prices provided by an independent pricing service, which utilizes both dealer-supplied and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data as well as broker quotes. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by an independent pricing service. Securities traded only in the over-the-counter market are valued at the last bid price quoted by brokers making markets in the securities at the close of trading. Equity and debt obligations, for which there are no prices available from an independent pricing service, are valued based on broker quotes or fair valued as described below. Certain short-term debt instruments are valued at amortized cost.

Other portfolio securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Fund□s Pricing Committee in accordance with procedures adopted by the Board of Trustees. Generally, trading in non-U.S. securities is substantially completed each day at various times prior to the close of trading on the NYSE. The values of such securities used in computing the net asset value of the Fund□s shares are generally determined as of such timesOccasionally, significant events that affect the values of such securities may occur between the times at which such values are generally determined and the close of the NYSE. Upon such an occurrence, these securities will be valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer□s assets, general economic and market conditions, interest rates, investor perceptions and market liquidity.

Fair value measurements

The Fund uses a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs and the valuation techniques used are summarized below:

Level 1 □ Exchange traded prices in active markets for identical securitiesThis technique is used for exchange-traded domestic common and preferred equities, certain foreign equities, warrants, rights, options and futures.

Level 2 □ Prices determined using significant observable inputsObservable inputs may include quoted prices for similar securities, interest rates, prepayment speeds, and credit risk. Prices for securities valued using these techniques are received from independent pricing vendors and are based on an evaluation of the inputs described. These techniques are used for certain domestic preferred equities, certain foreign equities, unlisted rights and warrants, and fixed income securities. Also, over-the-counter derivative contracts, including swaps, foreign forward currency contracts, and certain options use these techniques.

Level 3 Prices determined using significant unobservable inputsIn situations where quoted prices or observable inputs are unavailable, such as when there is little or no market activity for an investment, unobservable inputs may be used. Unobservable inputs reflect the Fund's Pricing Committee's own assumptions about the factors that market participants would use in pricing an investment and would be based on the best information available. Securities using this technique are generally thinly traded or privately placed, and may be valued using broker quotes, which may not only use observable or unobservable inputs but may also include the use of the brokers own judgments about the assumptions that market participants would use.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of July 31, 2009, by major security category or security type. Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as futures, forwards, written options and swap contracts are stated at market value.

Investments in Securities	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTALS**
Consumer discretionary	$40,540,254			**$40,540,254**
Consumer staples		$10,170,000		**10,170,000**
Energy	26,326,505	7,596,000		**33,922,505**
Financials	223,321,006	2,920,000	$15,853,882	**242,094,888**
U.S. Government agency		7,799,961		**7,799,961**
Materials	1,153,000			**1,153,000**
Telecommunication services	35,101,941			**35,101,941**
Utilities	92,857,588	52,013,840		**144,871,428**
Total Investments in Securities	**$419,300,294**	**$80,499,801**	**$15,853,882**	**$515,653,977**
Other Financial Instruments		**(5,725,745)**		**(5,725,745)**
Total	**$419,300,294**	**$74,774,056**	**$15,853,882**	**$509,928,232**

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

INVESTMENTS IN SECURITIES	**FINANCIALS**
Balance as of July 31, 2008	

Accrued discounts/premiums	
Realized gain (loss)	
Change in unrealized appreciation (depreciation)	($1,724,868)
Net purchases (sales)	
Transfers in and/or out of Level 3	17,578,750
Balance as of July 31, 2009	**$15,853,882**

Security transactions and related investment income

Investment security transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is accrued as earned. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Foreign dividends are recorded on the ex-date or when the Fund becomes aware of the dividends from cash collections. Discounts/premiums are accreted/ amortized for financial reporting purposes. Non-cash dividends are recorded at the fair market value of the securities received. Debt obligations may be placed in a non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivables when the collection of all or a portion of interest has become doubtful. The Fund uses identified cost method for determining realized gain or loss on investments for both financial statement and federal income tax reporting purposes.

From time to time, the Fund may invest in Real Estate Investment Trusts (REITs) and, as a result, will estimate the components of distributions from these securities. Distributions from REITs received in excess of income are recorded as a reduction of cost of investments and/or as a realized gain.

Overdrafts

Pursuant to the custodian agreement, the Fund's Custodian may, in its discretion, advance funds to the Fund to make properly authorized payments. When such payments result in an overdraft, the Fund is obligated to repay the Custodian for any overdraft, including any costs or expenses associated with the overdraft. The Custodian has a lien, security interest or security entitlement in any Fund property, that is not segregated, to the maximum extent permitted by law to the extent of any overdraft.

Expenses

The majority of expenses are directly identifiable to an individual fund. Fund expenses that are not readily identifiable to a specific fund are allocated in such a manner as deemed equitable, taking into consideration, among other things, the nature and type of expense and the relative size of the funds. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

Federal income taxes

The Fund qualifies as a regulated investment company by complying with the applicable provisions of the Internal Revenue Code and will not be subject to federal income tax on taxable income that is distributed to shareholders. Therefore, no federal income tax provision is required.

For federal income tax purposes, the Fund has $47,618,660 of a capital loss carryforward available, to the extent provided by regulations, to offset future net realized capital gains. To the extent that such carryforward is used by the Fund, it will reduce the amount of capital gain distribution to be paid. The loss carryforward expires on July 31, 2017.

Net capital losses of $8,070,970 that are attributable to security transactions incurred after October 31, 2008, are treated as arising on August 1, 2009, the first day of the Fund's next taxable year.

As of July 31, 2009, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. Each of the Fund's federal tax returns filed in the 3-year period ended July 31, 2009 remains subject to examination by the Internal Revenue Service.

Distribution of income and gains

The Fund records distributions to shareholders from net investment income and net realized gains, if any, on the ex dividend date. The Fund generally declares and pays dividends monthly. Capital gains are distributed at least annually. During the year ended July 31, 2009, the tax character of distributions paid was as follows: ordinary income $31,802,930 and tax return of capital $4,250,903. During the year ended July 31, 2008, the tax character of distributions paid was as follows: ordinary income $48,751,297, tax return of capital $443,140 and long-term

capital gain $56,216. Prior to the redemption of the Auction Preferred Shares, which was completed on May 28, 2008, the tax character of the long-term capital gain distribution was proportionally shared between the common and preferred shareholders of the Fund.

As of July 31, 2009, there were no distributable earnings on a tax basis.

Such distributions and distributable earnings, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. Distributions in excess of tax basis earnings and profits, if any, are reported in the Fund's financial statements as a return of capital.

Capital accounts within financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences will reverse in a subsequent period. Permanent book-tax differences are primarily attributable to derivative transactions and amortization and accretion on debt securities.

Statement of cash flows

The cash amount shown in the Statement of cash flows of the Fund is the amount included in the Fund's Statement of assets and liabilities and represents the cash on hand at its custodian and does not include any short-term investments.

Note 3
Financial instruments

The Fund has adopted the provisions of Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (FAS 161). This new standard requires the Fund to disclose information to assist investors in understanding how the Fund uses derivative instruments, how derivative instruments are accounted for under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133) and how derivative instruments affect the Fund□s financial position, results of operations and Statements of changes in net assets. This disclosure for the year ended July 31, 2009 is presented in accordance with FAS 161 and is included as part of the Notes to the Financial Statements.

Futures

The Fund may purchase and sell financial futures contracts, including index futures and options on these contracts. A future is a contractual agreement to buy or sell a particular commodity, currency, or financial instrument at a pre-determined price in the future. The Fund may use futures contracts to manage against a decline in the value of securities owned by the Fund due to anticipated interest rate, currency or market changes. In addition, the Fund will use futures contracts for duration management or to gain exposure to a securities market.

An index futures contract (index future) is a contract to buy a certain number of units of the relevant index at a fixed price and specific future date. The Fund may invest in index futures as a means of gaining exposure to securities without investing in them directly, thereby allowing the Fund to invest in the underlying securities over time. Investing in index futures also permits the Fund to maintain exposure to common stocks without incurring the brokerage costs associated with investment in individual common stocks.

When the Fund sells a futures contract based on a financial instrument, the Fund becomes obligated to deliver such instrument at an agreed upon date for a specified price. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Fund and the prices of futures contracts, the possibility of an illiquid market and the inability of the counterparty to meet the terms of the contract.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. Upon entering into a futures contract, initial margin deposits, as set by the exchange or broker to the contract, are required and are met by the delivery of specific securities (or cash) as collateral to the broker. Futures contracts are marked to market daily and an appropriate payable or receivable

for the change in value (□variation margin□) is recorded by the Fund. Gains or losses are recognized but not considered realized until the contracts expire or are closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed on the Statements of assets and liabilities. The Fund had no open financial futures contracts on July 31, 2009.

During the year ended July 31, 2009, the Fund used futures to hedge against anticipated interest rate changes.

Swap contracts

The Fund may enter into interest rate transactions such as, credit default, cross-currency, and other forms of swaps to manage its exposure to credit, currency and interest rate risks, to gain exposure in lieu of buying in the physical market, or to enhance income. Swaps are over-the-counter (OTC) negotiated agreements between counterparties to exchange cash flows, assets, foreign currencies or market-linked returns at specified intervals. In connection with these agreements, the Fund will hold cash and/or liquid securities equal to the net amount of the Fund's exposure, in order to satisfy the Fund's obligations in the event of default or bankruptcy/insolvency.

Swaps are marked to market daily based upon values from third party vendors or quotations from market makers to the extent available, and the change in value, if any, is recorded as unrealized appreciation/depreciation on the Fund's Statement of assets and liabilities. If market quotations are not readily available or not deemed reliable, certain swaps may be fair valued in good faith by the Fund's Pricing Committee in accordance with procedures adopted by the Board of Trustees. Upfront payments made/received by the Fund represent payments to compensate for differences between the stated terms of the swap and prevailing market conditions, including credit spreads, currency exchange rates, interest rates and other relevant factors. These payments are amortized or accreted for financial reporting purposes, with the un-amortized/ un-accreted portion included in the Statement of assets and liabilities. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of operations. Net periodic payments received or paid by the Fund are included as part of realized gains or losses on the Statement of operations.

Entering into swaps involves, to varying degrees, elements of credit, market counter-party and legal documentation risk in excess of the amounts recognized on the Statement of assets and liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that a counterparty may default on its obligation under the swap or disagree as to the meaning of the swap's terms, and that there may be unfavorable interest rate changes. The Fund may also suffer losses if it is unable to terminate outstanding swaps, or reduce its exposure through offsetting transactions or the Fund may be liable for early termination of the derivative.

The Fund is a party to International Swap Dealers Association, Inc., Master Agreements ("ISDA Master Agreements") with select counterparties that govern OTC derivative transactions, which may include foreign exchange derivative transactions, entered into by the Fund and those counterparties. The ISDA Master Agreements typically include standard representations and warranties, as well as a Credit Support Annex ("CSA") that accompanies a schedule to ISDA master agreements provisions outlining the general obligations of the Fund and counterparties relating to events of default, termination events and other standard provisions. Termination events may include a decline in the Fund's net asset value below a certain point over a certain period of time that is specified in the Schedule to the ISDA Master Agreement; such an event may entitle the counterparty to elect to terminate early and calculate damages based on that termination, with respect to some or all outstanding transactions under the applicable damage calculation provisions of the ISDA Master Agreement. An election by one or more counterparties to terminate ISDA Master Agreements could have a material impact in the financial statements of the Fund.

Interest rate swap agreements

Interest rate swaps represent an agreement between two counterparties to exchange cash flows based on the difference in the two interest

rates, applied to the notional principal amount for a specified period. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

The Fund settles accrued net receivable or payable under the swap contracts on a periodic basis.

The Fund entered into interest rate swaps in anticipation of rising interest rates. The following summarizes the contracts held as of July 31, 2009:

USD NOTIONAL	PAYMENTS MADE BY	PAYMENTS RECEIVED	EFFECTIVE	MATURITY	UNREALIZED APPRECIATION

Counterparty	AMOUNT	FUND	BY FUND	DATE	DATE	(DEPRECIATION)	MARKET VALUE
BANK OF AMERICA	$63,500,000	4.37%	3 month LIBOR (a)	11-15-2007	11-15-2010	($3,171,725)	($3,171,725)
MORGAN STANLEY	63,500,000	3.79%	3 month LIBOR (a)	01-07-2008	01-07-2011	(2,554,020)	(2,554,020)
	$127,000,000					**($5,725,745)**	**($5,725,745)**

(a) At July 31, 2009, the 3-month LIBOR rate was 0.47938%

Interest rate swap notional amounts at July 31, 2009, are representative of the interest rate swap activity during the year ended July 31, 2009.

Fair value of derivative instruments by risk category

The table below summarizes the fair values of derivatives held by the Fund at July 31, 2009, by risk category:

DERIVATIVES NOT ACCOUNTED FOR AS HEDGING INSTRUMENTS UNDER FAS 133	STATEMENT OF ASSETS AND LIABILITIES LOCATION	FINANCIAL INSTRUMENTS LOCATION	ASSET DERIVATIVES FAIR VALUE	LIABILITY DERIVATIVES FAIR VALUE
Interest rate contracts	Unrealized depreciation of swap contracts; Net unrealized depreciation on investments and swap agreements	Interest rate swaps	—	($5,725,745)

Effect of derivative instruments on the Statement of Operations

The table below summarizes the realized gain (loss) recognized in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category for the year ended July 31, 2009:

DERIVATIVES NOT ACCOUNTED FOR AS HEDGING INSTRUMENTS UNDER FAS 133	FUTURES	SWAPS	TOTAL
Statement of Operations location — Net realized gain (loss) on	Financial future contracts	Swap contracts	
Interest rate contracts	$544,087	($2,178,005)	($1,633,918)

The table below summarizes the change in unrealized appreciation (depreciation) recognized in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category for the year ended July 31, 2009:

DERIVATIVES NOT ACCOUNTED FOR AS HEDGING INSTRUMENTS UNDER FAS 133	FUTURES	SWAPS	TOTAL
Statement of Operations location Change in unrealized appreciation (depreciation) of	Financial future contracts	Swap contracts	
Interest rate contracts	$4,104	($4,054,534)	($4,050,430)

Note 4
Risk and uncertainties

Fixed income risk

Fixed income securities are subject to credit and interest rate risk and involve some risk of default in connection with principal and interest payments.

Risks associated with foreign investments

Investing in securities issued by companies whose principal business activities are outside the United States may involve significant risks not present in domestic investments. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitation on the removal of funds or other assets of the Fund, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the United States.

Sector risk

When the Funds investments focus on one or more sectors of the economy, they are far less diversified than the broad securities markets. This means that the Fund may be more volatile than other mutual funds, and the values of its investments may go up and down more rapidly. Specifically, utilities can be hurt by higher interest costs in connection with capital construction programs, costs associated with environmental and other regulations and the effects of economic declines, surplus capacity and increased competition. In addition, financial services companies can be hurt by economic declines, changes in interest rates, regulatory and market impacts.

Leverage utilization risk

The Fund utilizes leverage to increase assets available for investment. See Note 8 for risks associated with the utilization of leverage.

Note 5
Guarantees and indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liability arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred.

Note 6
Management fee and transactions with affiliates and others

The Fund has an investment management contract with John Hancock Advisers, LLC (the Adviser), a wholly owned subsidiary of the John Hancock Financial Services, Inc., a subsidiary of Manulife Financial Corporation (MFC). Under the investment management contract, the Fund pays a daily management fee to the Adviser at an annual rate of 0.75% of the Fund's average daily net asset value and the value attributable to the committed facility agreement (see Note 9) (collectively, managed assets). The Fund has a subadvisory agreement with MFC Global Investment Management (U.S.), LLC, a subsidiary of John Hancock Financial Services, Inc. The Fund is not responsible for payment of subadvisory fees.

The Adviser has contractually agreed to limit the Fund's management fee, on an annual basis, to the following: 0.55% of the Fund's average daily managed assets until the fifth anniversary of the commencement of the Fund's operations, 0.60% of such assets in the sixth year, 0.65% of such assets in the seventh year and 0.70% of average daily managed assets in the eighth year. After the eighth year, the Adviser

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is not obligated to waive a portion of the management fee. Accordingly, the expense reductions related to the reduction in management fees amounted to $506,099 for the year ended July 31, 2009. The effective rate for the year ended July 31, 2009, is 0.63% of the Fund's managed assets.

The Fund has an agreement with the Adviser and affiliates to perform necessary tax, accounting, compliance, legal and other administrative services for the Fund. The compensation for the period amounted to $68,125 with an effective rate of 0.02% of the Fund's managed assets.

Mr. James R. Boyle is Chairman of the Adviser, as well as affiliated Trustee of the Fund, and is compensated by the Adviser and/or its affiliates. Mr. John G. Vrysen is a Board member of the Adviser, as well as affiliated Trustee of the Fund, and is compensated by the Adviser and/ or its affiliates. The compensation of unaffiliated Trustees is borne by the Fund. The unaffiliated Trustees may elect to defer, for tax purposes, their receipt of this compensation under the John Hancock Group of Funds Deferred Compensation Plan. The Fund makes investments into other John Hancock funds, as applicable, to cover its liability for the deferred compensation. Investments to cover the Fund's deferred compensation liability are recorded on the Fund's books as an other asset. The deferred compensation liability and the related other asset are always equal and are marked to market on a periodic basis to reflect any income earned by the investments, as well as any unrealized gains or losses. The Deferred Compensation Plan investments had no impact on the operations of the Fund.

Note 7

Fund share transactions

Common shares

The Fund is authorized to issue an unlimited number of common shares with no par value. The number of Fund shares reinvested during the year ended July 31, 2009, along with the corresponding dollar value were 56,378 and $696,291, respectively. There were no share transactions during the year ended July 31, 2008.

Note 8
Leverage

The Fund utilizes a Credit Facility Agreement (CFA) to increase its assets available for investment. In prior fiscal periods, the Fund used Auction Preferred Shares (APS) for leverage. When the Fund leverages its assets, common shareholders pay all fees associated with and have the potential benefit from leverage. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Fund's assets. Leverage creates risks which may adversely affect the return for the holders of common shares, including:

- the likelihood of greater volatility of net asset value and market price of common shares

- fluctuations in the interest rate paid for the use of the credit facility

- increased operating costs, which may reduce the Fund's total return to the holders of common shares

- the potential for a decline in the value of an investment acquired through leverage, while the Fund's obligations under such leverage remains fixed

- the fund is more likely to have to sell securities in a volatile market in order to meet asset coverage or other debt compliance requirements

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used, conversely, return will be lower if the cost of the leverage exceeds the income or capital appreciation derived.

The Fund issued a total of 10,160 Auction Preferred Shares on January 29, 2003. On May 2, 2008, the Fund's Trustees approved a plan whereby the Fund's form of leverage has changed from APS to a CFA. The redemption of all series was completed on May 28, 2008. Below is a comparison of the leverage methods utilized by the Fund:

	APS	CFA
Required Asset Coverage	200%	200% (300% at time of draw)
Maximum Leverage Amount	$254 Million	$208 Million
Costs Associated with Leverage	Dividends paid to preferred shareholders (maximum rate	Interest expense (one month LIBOR, reset daily, plus 0.85%)*

equals the overnight commercial paper rate plus 1.25%)	
APS auction fees	Arrangement fee**
Auction agent expenses	Commitment fees (0.60% of the unused portion of the CFA)
Preferred share transfer agent expenses	

* Overnight LIBOR plus 0.70% from August 1, 2008, to December 31, 2008.

** Arrangement fee is $520,000 amortized over the first 270 days of the CFA.

Interest expense and arrangement fees and commitment fees are included in the Statement of operations. See note 10 for further details of the CFA.

Note 9
Committed facility agreement

Effective May 7, 2008, the Fund entered into a CFA with a third party commercial bank that allows it to borrow up to an initial limit of $208 million and to invest the borrowings in accordance with its investment practices. Borrowings under the CFA are secured by the assets of the Fund as disclosed in the Schedule of Investments. Interest is charged at the monthly LIBOR rate (reset daily) plus 0.85% and is payable monthly. From August 1, 2008, to December 31, 2008, the Fund paid interest at the overnight LIBOR rate plus 0.70%. Under the terms of the CFA, the Fund also pays an arrangement fee of 0.25% in the first year of the agreement on the committed financing and commitment fees of 0.60% per annum on the unused portion of the facility. Arrangement and commitment fees for the year ended July 31, 2009 totaled $358,223 and $359,004, respectively, and are included in interest expense in the Statement of operations. As of July 31, 2009, the Fund had borrowings of $169,700,000 at an interest rate of 1.13% and is reflected in the committed facility agreement payable on the Statement of assets and liabilities. For the year ended July 31, 2009, the average borrowings under the CFA and the average interest rate were $148,984,110 and 2.23%, respectively. The Fund may terminate the agreement with 60 days’ notice if the Board of Trustees has determined that the elimination of all indebtedness leveraging the Fund’s investments is in the best interests of the Fund’s shareholdersIn certain circumstances, the CFA may automatically terminate, and in other specified circumstances it may be reduced to a 30-day facility. In addition, upon the occurrence of certain defaults, the lender may terminate the agreement, and it may modify or terminate the agreement upon 270 days’ notice.

Note 10
Purchase and sale of securities

Purchases and proceeds from sales or maturities of securities, other than short-term securities, during the year ended July 31, 2009, aggregated $63,643,555 and $88,951,156, respectively.

Note 11
Subsequent events

The Fund has adopted the provisions of Statement of Financial Accounting Standards No. 165, Subsequent Events (FAS 165). The objective of FAS 165 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued.

For the year ended July 31, 2009, Management has evaluated subsequent events through September 28, 2009, the date the financial statements were available to be issued.

Auditors report

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of John Hancock Preferred Income Fund II:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets, and of cash flows and the financial highlights present fairly, in all material respects, the financial position of John Hancock Preferred Income Fund (the Fund) at July 31, 2009, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Funds management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at July 31, 2009 by correspondence with the custodian and brokers and the application of alternative auditing procedures where securities purchased confirmations had not been received, provide a reasonable basis for our opinion. The financial highlights for the year ended July 31, 2005 were audited by another independent registered public accounting firm, whose report expressed an unqualified opinion thereon.

PricewaterhouseCoopers LLP
Boston, Massachusetts
September 28, 2009

Tax information

Unaudited

For federal income tax purposes, the following information is furnished with respect to the distributions of the Fund, if any, paid during its taxable year ended July 31, 2009.

With respect to the ordinary dividends paid by the Fund for the fiscal year ended July 31, 2009, 67.61% of the dividends qualifies for the corporate dividends-received deduction.

The Fund hereby designates the maximum amount allowable of its net taxable income as qualified dividend income as provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This amount will be reflected on Form 1099-DIV for the calendar year 2009.

Shareholders will be mailed a 2009 U.S. Treasury Department Form 1099-DIV in January 2010. This will reflect the total of all distributions that are taxable for calendar year 2009.

Investment objective and policy

The Fund's primary objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary objective is to provide growth of capital to the extent consistent with its primary objective. The Fund seeks to achieve its objectives by investing in securities that, in the opinion of the Adviser, may be undervalued relative to similar securities in the marketplace.

Under normal market conditions, the Fund invests at least: (a) 80% of its assets in preferred stocks and other preferred securities, including convertible preferred securities, (b) 25% of its total assets in the industries comprising the utilities sector and (c) 80% of its total assets in preferred securities and other fixed-income securities which are rated investment grade or higher by Moody's or Standard & Poor's at the time of investment.

Bylaws

Effective September 9, 2008, the Fund's Bylaws were amended with respect to notice requirements for Trustee nominations and other proposals by the Fund's shareholders. These provisions require the disclosure of the nominating shareholder and the nominee's investment interests as they relate to the Fund, as well as the name of any other shareholder supporting the nominee for election as a Trustee or the proposal of other business. In order for notice to be proper, such notice must disclose the economic interests of the nominating shareholder and nominee, including his or her holdings of shares in the Fund, the intent upon which those shares were acquired, and any hedging arrangements (including leveraged or short positions) made with respect to the shares of the Fund. Additionally, any material interest that the shareholder has in the business to be brought before the meeting must be disclosed.

Dividends and distributions

During the year ended July 31, 2009, distributions totaling 1.705 per share including dividends from net investment income and tax return of capital were paid to shareholders.

The dates of payments and the amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND
August 29, 2008	0.155

September 30, 2008	0.155
October 31, 2008	0.155
November 28, 2008	0.155
December 31, 2008	0.155
January 30, 2009	0.155
February 27, 2009	0.155
March 31, 2009	0.124
April 30, 2009	0.124
May 29, 2009	0.124
June 30, 2009	0.124
July 31, 2009	0.124
Total	**$1.705***

*Includes $0.20 of tax return of capital.

Dividend reinvestment plan

The Fund offers its shareholders a Dividend Reinvestment Plan (the Plan), which offers the opportunity to earn compounded yields. Each holder of common shares will automatically have all distributions of dividends and capital gains reinvested by Mellon Investor Services, as Plan Agent for the common shareholders (the Plan Agent), unless an election is made to receive cash. Holders of common shares who elect not to participate in the Plan will receive all distributions in cash, paid by check mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Shareholders whose shares are held in the name of a broker or a nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

If the Fund declares a dividend payable either in common shares or in cash, non-participants will receive cash and participants in the Plan will receive the equivalent in common shares. If the market price of the common shares on the payment date of the dividend is equal to or exceeds their net asset value as determined on the payment date, participants will be issued common shares (out of authorized but unissued shares) at a value equal to the higher of net asset value or 95% of the market price. If the net asset value exceeds the market price of the common shares at such time, or if the

Board of Trustees declares a dividend payable only in cash, the Plan Agent will, as agent for Plan participants, buy shares in the open market, on the New York Stock Exchange or elsewhere, for the participants accounts. Such purchases will be made promptly after the payable date for such dividend and, in any event, prior to the next ex-dividend date after such date, except where necessary to comply with federal securities laws. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the common shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the common shares, resulting in the acquisition of fewer shares than if the dividend had been paid in shares issued by the Fund.

Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agents open market purchases in connection with the reinvestment of dividends and distributions. The cost per share of the shares purchased for each participants account will be the average cost, including brokerage commissions, of any shares purchased on the open market, plus the cost of any shares issued by the Fund. There will be no brokerage charges with respect to common shares issued directly by the Fund. There are no other charges to participants for reinvesting dividends or capital gain distributions.

Participants in the Plan may withdraw from the Plan at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent□s Web site at www.melloninvestor.com. Such withdrawal will be effective immediately if received not less than 10 days prior to a dividend record date; otherwise, it will be effective for all subsequent dividend record dates.

When a participant withdraws from the Plan or upon termination of the Plan, as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a share credited to such account.

The Plan Agent maintains each shareholder□s account in the Plan and furnishes monthly written confirmations of all transactions in the accounts, including information needed by the shareholders for personal and tax records. The Plan Agent will hold common shares in the account of each Plan participant in non-certificated form in the name of the participant. Proxy material relating to the shareholders□ meetings of the Fund will include those shares purchased as well as shares held pursuant to the Plan.

The reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable or required to be withheld on such dividends or distributions.

Participants under the Plan will receive tax information annually. The amount of dividend to be reported on 1099-DIV should be: (1) in the case of shares issued by the Fund, the fair market value of such shares on the dividend payment date and (2) in the case of shares purchased by the Plan Agent in the open market, the amount of cash used by the Plan Agent to purchase shares in the open market, including the amount of cash allocated to brokerage commissions paid on such purchases.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan may be amended or terminated by the Plan Agent after at least 90 days□ written notice to all shareholders of the Fund. All correspondence or additional information concerning the Plan should be directed to the Plan Agent, Mellon Bank, N.A., c/o Mellon Investor Services, P.O. Box 3338, South Hackensack, NJ 07606-1938 (Telephone: 1-800-852-0218).

Shareholder communication and assistance

If you have any questions concerning the Fund, we will be pleased to assist you. If you hold shares in your own name and not with a brokerage firm, please address all notices, correspondence, questions or other communications regarding the Fund to the transfer agent at:

Mellon Investor Services
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310
Telephone: 1-800-852-0218

If your shares are held with a brokerage firm, you should contact that firm, bank or other nominee for assistance.

Shareholder meeting (unaudited)

On April 28, 2009, an adjourned session of the Annual Meeting of the Shareholders of John Hancock Preferred Income Fund II was held at 601 Congress Street, Boston, Massachusetts for the purpose of considering and voting upon:

Proposal 1: Election of six Trustees to serve until their respective successors have been duly elected and qualified.

PROPOSAL 1 PASSED FOR ALL TRUSTEES ON APRIL 28, 2009.

	FOR	WITHHELD AUTHORITY
Charles L. Ladner	10,952,785	749,885
Stanley Martin	10,963,381	739,289
John A. Moore	10,958,645	744,025
Gregory A. Russo	10,973,683	728,987
Deborah C. Jackson	10,964,209	738,461
John G. Vrysen	10,972,861	729,809

Proposal 2: To adopt a new form of investment advisory agreement.

PROPOSAL 2 PASSED ON APRIL 28, 2009.

For	8,315,445
Against	468,388
Withheld	362,076
Broker Non-Votes	2,556,761

Board Consideration of and