JOHN HANCOCK PREFERRED INCOME FUND II
Form N-CSRS
April 02, 2008

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)

Alfred P. Ouellette
Senior Counsel and Assistant Secretary

601 Congress Street

Boston, Massachusetts 02210

(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4324

Date of fiscal year end: July 31

Date of reporting period: January 31, 2008

ITEM 1. REPORT TO SHAREHOLDERS.

Portfolio summary

Top 10 holdings[1]

Nexen, Inc., 7.35%	3.8%
DPL Capital Trust II, 8.125%, 09-01-31	3.6%
MetLife, Inc., 6.50%, Ser B	3.5%
Interstate Power & Light Co., 8.375%, Ser B	2.9%
Viacom, Inc., 6.85%	2.8%
ING Groep NV, 7.05%	2.7%
PFGI Capital Corp., 7.75%	2.5%
PPL Energy Supply, LLC, 7.00%	2.3%
BGE Capital Trust II, 6.20%	2.2%
FPC Capital I, 7.10%, Ser A	2.1%

Industry distribution[1]

Electric utilities	20%
Diversified financial services	10%
Investment banking & brokerage	8%
Multi-line insurance	8%
Multi-utilities	7%
Diversified banks	6%
Gas utilities	6%
Oil & gas exploration & production	4%
Wireless telecommunication services	4%
Broadcasting & cable TV	3%
Consumer finance	3%
Movies & entertainment	3%
Real estate management & development	3%
Regional banks	3%
Agricultural products	2%
Automobile manufacturers	2%
Life & health insurance	2%
All others	6%

1 As a percentage of the Fund's total investments on January 31, 2008.

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

Fund□s investments

Securities owned by the Fund on 1-31-08 (unaudited)

This schedule is divided into five main categories: bonds, capital preferred securities, preferred stocks, purchased options and U.S. government and agencies securities. Bonds, capital preferred securities and preferred stocks are further broken down by industry group. U.S. government and agencies securities, which represent the Fund□s cash position, are listed last.

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Bonds 4.32%					**$20,185,840**
(Cost $20,269,300)					
Electric Utilities 2.10%					**9,808,565**
Black Hills Corp., Note	6.500%	05-15-13	BBB□	$5,000	5,199,605
Entergy Gulf States, Inc., 1st Mtg Bond	6.200	07-01-33	BBB+	5,000	4,608,960
Gas Utilities 2.22%					**10,377,275**
Southern Union Co., Jr Sub Note, Ser A	7.200	11-01-66	BB	10,550	10,377,275

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Capital preferred securities 15.29%					**$71,471,040**
(Cost $69,393,727)					
Asset Management & Custody Banks 1.04%					**4,868,589**
BNY Capital, Ser B	7.970%	12-31-26	A□	$4,700	4,868,589
Diversified Banks 0.84%					**3,910,000**
Lloyds TSB Bank Plc (United Kingdom) (F)	6.900	11-29-49	A+	4,000	3,910,000
Electric Utilities 5.50%					**25,710,834**
DPL Capital Trust II	8.125	09-01-31	BB+	22,150	25,710,834

Gas Utilities 4.75%					**22,193,759**
KN Capital Trust I	8.560	04-15-27	B	14,000	12,740,000
KN Capital Trust III	7.630	04-15-28	B	10,673	9,453,759
Multi-Utilities 3.16%					**14,787,858**
Dominion Resources Capital Trust I	7.830	12-01-27	BB+	8,450	8,866,703
Dominion Resources Capital III	8.400	01-15-31	BB+	5,000	5,921,155

See notes to financial statements

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

Issuer, description	Credit rating (A)	Shares	Value
Preferred stocks 130.93%			**$611,750,000**
(Cost $640,503,887)			
Agricultural Products 3.22%			**15,035,008**
Ocean Spray Cranberries, Inc., 6.25%, Ser A (S)	BB+	160,000	15,035,008
Automobile Manufacturers 2.38%			**11,098,700**
General Motors Corp., 7.25%, Ser 04-15-41	B	77,900	1,351,565
General Motors Corp., 7.25%, Ser 07-15-41	B	50,500	894,860
General Motors Corp., 7.25%, Ser 02-15-52	B	442,300	7,532,369
General Motors Corp., 7.375%, Ser 10-01-51	B	73,125	1,319,906

Broadcasting & Cable TV 4.64%			**21,659,416**
CBS Corp., 6.75%	BBB	127,800	3,012,246
Comcast Corp., 6.625%	BBB+	118,500	2,742,090
Comcast Corp., 7.00%	BBB+	40,000	968,000
Comcast Corp., 7.00%, Ser B	BBB+	615,201	14,937,080
Consumer Finance 4.31%			**20,160,450**
HSBC Finance Corp., 6.00%	AA-	72,200	1,713,306
HSBC Finance Corp., 6.36%, Depositary Shares, Ser B	A	143,200	3,327,968
HSBC Finance Corp., 6.875%	AA-	349,100	8,518,040
SLM Corp., 6.00%	BBB+	196,800	3,733,296
SLM Corp., 6.97%, Ser A	BB	64,000	2,867,840
Diversified Banks 8.90%			**41,570,253**
BAC Capital Trust II, 7.00%	A+	22,400	553,728
BAC Capital Trust IV, 5.875%	A+	51,150	1,133,484
Barclays Bank Plc, 7.10%, Ser 3 (United Kingdom) (F)	A+	100,000	2,527,000
Fleet Capital Trust VIII, 7.20%	A+	344,700	8,614,053
HSBC Holdings Plc, 6.20%, Ser A (United Kingdom) (F)	A	254,600	6,084,940
Republic New York Corp., 6.25%, Ser HSBC	A	50,000	1,135,000
Royal Bank of Scotland Group Plc, 5.75%, Ser L (United Kingdom) (F)	A	450,500	10,001,100
Royal Bank of Scotland Group Plc, 7.25%, Ser T (United			

Kingdom) (F)	A	26,000	663,000
Santander Finance Preferred SA, Unipersonal, 6.41%, Ser 1 (Spain) (F)	A+	225,000	5,316,750

See notes to financial statements

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

Issuer, description	Credit rating (A)	Shares	Value
Diversified Banks (continued)			
USB Capital VIII, 6.35%, Ser 1	A+	83,000	$2,012,750
Wells Fargo Capital Trust IV, 7.00%	AA	140,800	3,528,448
Diversified Financial Services 15.10%			**70,570,777**
ABN AMRO Capital Funding Trust V, 5.90%	A	403,600	8,931,668
ABN AMRO Capital Funding Trust VII, 6.08%	A	365,000	8,311,050
Bank of America Corp., 6.204%, Depositary Shares, Ser D	A+	140,000	3,295,600
Citigroup Capital VII, 7.125%	A	364,200	9,050,370
Citigroup Capital VIII, 6.95%	A	611,000	14,743,430
DB Capital Funding VIII, 6.375%	A+	414,700	9,940,359
DB Capital Funding X, 7.35%	A+	40,000	1,040,000
DB Capital Trust II, 6.55%	A+	357,500	8,744,450
JPMorgan Chase Capital X, 7.00%,			

Ser J	A	259,000	6,513,850
Electric Utilities 23.12%			**108,020,633**
Duquesne Light Co., 6.50%	BB	98,450	5,088,634
Entergy Mississippi, Inc., 7.25%	A−	109,000	2,752,250
FPC Capital I, 7.10%, Ser A	BBB−	618,003	15,474,795
FPL Group Capital Trust I, 5.875%	BBB+	441,800	10,581,110
FPL Group Capital, Inc., 7.45%, Ser E	BBB+	60,000	1,566,000
Georgia Power Capital Trust VII, 5.875%	BBB+	116,500	2,776,195
HECO Capital Trust III, 6.50%	BB+	130,000	3,055,000
Interstate Power & Light Co., 8.375%, Ser B	Baa2	700,000	20,825,000
NSTAR Electric Co., 4.78%	A−	15,143	1,241,726
PPL Electric Utilities Corp., 6.25%, Depositary Shares	BBB	130,000	3,128,125
PPL Energy Supply, LLC, 7.00%	BBB	638,570	16,302,692
Southern California Edison Co., 6.00%, Ser C	BBB−	20,000	1,946,876
Virginia Power Capital Trust, 7.375%	BBB	339,019	8,560,230
Westar Energy, Inc., 6.10%	AAA	100,000	2,554,000
Xcel Energy, Inc., 7.60%	BBB−	480,000	12,168,000
Gas Utilities 2.09%			**9,765,955**
Southern Union Co., 7.55%	BB	129,500	3,256,925
Southwest Gas Capital II, 7.70%	BB	258,500	6,509,030
Integrated Telecommunication Services 0.23%			**1,074,914**

AT&T, Inc., 6.375%	A	43,100	1,074,914

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

Issuer, description	Credit rating (A)	Shares	Value
Investment Banking & Brokerage 13.00%			**$60,747,678**
Bear Stearns Cos., Inc. (The), 6.15%, Depositary Shares, Ser E	BBB+	264,400	11,633,600
Lehman Brothers Holdings Capital Trust III, 6.375%, Ser K	A–	177,000	4,106,400
Lehman Brothers Holdings Capital Trust V, 6.00%, Ser M	A–	46,600	1,068,072
Lehman Brothers Holdings, Inc., 5.94%, Depositary Shares, Ser C	A–	145,200	6,258,120
Merrill Lynch Preferred Capital Trust III, 7.00%	A–	360,400	8,837,008
Merrill Lynch Preferred Capital Trust IV, 7.12%	A–	172,200	4,261,950
Merrill Lynch Preferred Capital Trust V, 7.28%	A–	275,000	6,831,000
Morgan Stanley Capital Trust III, 6.25%	A	268,779	6,101,283
Morgan Stanley Capital Trust IV, 6.25%	A	57,000	1,268,250
Morgan Stanley Capital Trust V, 5.75%	A1	311,500	6,581,995
Morgan Stanley Capital Trust			

VI, 6.60%	A	160,000	3,800,000
Life & Health Insurance 3.51%			**16,378,181**
Phoenix Cos., Inc. (The), 7.45%	BBB	236,200	5,550,700
PLC Capital Trust IV, 7.25%	BBB+	350,475	8,485,000
Prudential Plc, 6.50% (United Kingdom) (F)	A	95,807	2,342,481
Movies & Entertainment 4.32%			**20,188,729**
Viacom, Inc., 6.85%	BBB	834,245	20,188,729
Multi-Line Insurance 11.82%			**55,240,996**
Aegon NV, 6.375% (Netherlands) (F)	A	355,000	8,459,650
ING Groep NV, 7.05% (Netherlands) (F)	A	780,700	19,259,869
ING Groep NV, 7.375% (Netherlands) (F)	A	88,000	2,256,320
MetLife, Inc., 6.50%, Ser B	BBB	1,029,550	25,265,157
Multi-Utilities 8.29%			**38,737,580**
Baltimore Gas & Electric Co., 6.99%, Ser 1995	Ba1	39,870	4,094,151
BGE Capital Trust II, 6.20%	BBB	672,200	15,756,368
DTE Energy Trust I, 7.80%	BB+	315,000	7,909,650
PNM Resources, Inc., 6.75%, Conv	BB+	240,700	8,879,423
Public Service Electric & Gas Co., 4.18%, Ser B	BB+	7,900	608,300
South Carolina Electric & Gas Co., 6.52%	Baa1	15,000	1,489,688

See notes to financial statements

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

Issuer, description	Credit rating (A)	Shares	Value
Oil & Gas Exploration & Production 6.92%			**$32,317,274**
Chesapeake Energy Corp., 6.25%, Conv (G)	B+	4,850	1,453,181
Devon Energy Corp., 6.49%, Ser A	BB+	32,355	3,297,178
Nexen, Inc., 7.35% (Canada) (F)	BB+	1,096,100	27,566,915
Real Estate Management & Development 4.96%			**23,197,181**
Duke Realty Corp., 6.50%, Depositary Shares, Ser K	BBB	110,000	2,409,000
Duke Realty Corp., 6.60%, Depositary Shares, Ser L	BBB	109,840	2,443,940
Duke Realty Corp., 6.625%, Depositary Shares, Ser J	BBB	449,400	9,972,186
Public Storage, Inc., 6.45%, Depositary Shares, Ser X	BBB+	30,000	679,200
Public Storage, Inc., 7.50%, Depositary Shares, Ser V	BBB+	307,100	7,692,855
Regional Banks 5.34%			**24,937,722**
PFGI Capital Corp., 7.75%	A	686,000	17,685,972
Wachovia Corp., 8.00%	A	275,000	7,251,750
Reinsurance 0.18%			**844,000**
RenaissanceRe Holdings Ltd., 6.08%, Ser C (Bermuda) (F)	BBB+	40,000	844,000
Specialized Finance 1.20%			**5,623,624**

CIT Group, Inc., 6.35%, Ser A	BBB+	100,000	2,164,000
Repsol International Capital Ltd., 7.45%, Ser A (Cayman Islands) (F)	BB+	136,313	3,459,624
Thrifts & Mortgage Finance 0.69%			**3,221,400**
Sovereign Capital Trust V, 7.75%	BB+	137	3,221,400
Wireless Telecommunication Services 6.71%			**31,359,529**
Telephone & Data Systems, Inc., 6.625%	BB+	155,000	3,100,000
Telephone & Data Systems, Inc., 7.60%, Ser A	BB+	666,834	14,737,031
United States Cellular Corp., 7.50%	BB+	559,243	13,522,498

Issuer	Number of contracts	Exercise price	Expiration date	Value
Purchased options 0.01%				**$66,570**
(Cost $305,657)				
Options Puts 0.01%				**66,570**
iShares S&P SmallCap 600 Index Fund	1,902	$88	March 08	66,570

See notes to financial statements

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

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
U.S. government and agencies securities 3.62%					**$16,900,000**
(Cost $16,900,000)					

Government U.S. Agency 3.62%					**16,900,000**
Federal Home Loan Bank,					
Discount Note	2.950% (Y)	02-01-08	AAA	$16,900	$16,900,000
Total investments (Cost $747,372,571) 154.17%					**$720,373,450**
Other assets and liabilities, net 0.20%					**$937,266**
Fund preferred shares, at liquidation value (54.37%)					**($254,055,748)**
Total net assets applicable to common shareholders 100.00%					**$467,254,968**

The percentage shown for each investment category is the total value of that category as a percentage of the net assets applicable to common shareholders.

(A) Credit ratings are unaudited and are rated by Moodys Investors Service where Standard & Poors ratings are not available unless indicated otherwise.

(F) Parenthetical disclosure of a foreign country in the security description represents country of a foreign issuer.

(G) Security rated internally by John Hancock Advisers, LLC.

(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. Rule 144A securities amounted to $15,035,008 or 3.22% of the net assets applicable to common shareholders as of January 31, 2008.

(Y) Represents current yield as of January 31, 2008.

See notes to financial statements

Financial statements

Statement of assets and liabilities 1-31-08 (unaudited)

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

Assets	
Investments at value (cost $747,372,571)	$720,373,450
Cash	63,934

Cash collateral at broker for future contracts (Note 2)	1,080,000
Dividends and interest receivable	3,468,383
Receivable from affiliates	133,375
Total assets	**725,119,142**

Liabilities

Payable for investments purchased	121,275
Unrealized depreciation of swap contracts (Note 2)	2,681,161
Payable for futures variation margin (Note 2)	646,875
Payable to affiliates	
Management fees	11,799
Other	71,308
Other payables and accrued expenses	200,606
Total liabilities	**3,733,024**
Auction Preferred Shares (APS) Series M, including accrued dividends, unlimited number of shares of beneficial interest authorized with no par value, 2,032 shares issued, liquidation preference of $25,000 per share	**50,866,211**
APS Series T, including accrued dividends, unlimited number of shares of beneficial interest authorized with no par value, 2,032 shares issued, liquidation preference of $25,000 per share	**50,859,011**
APS Series W, including accrued dividends, unlimited number of shares of beneficial interest authorized with no par value, 2,032 shares issued, liquidation preference of $25,000 per share	**50,805,928**
APS Series TH, including accrued dividends, unlimited number of shares of beneficial interest authorized with no par value, 2,032 shares issued, liquidation preference of $25,000 per share	**50,800,000**
APS Series F, including accrued dividends, unlimited number of shares of beneficial interest authorized with no par value, 2,032 shares issued, liquidation preference of $25,000 per share	**50,800,000**

See notes to financial statements

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

Statement of assets and liabilities 1-31-08 (unaudited) (continued)

Net assets

Common shares capital paid-in	$500,135,205
Accumulated net realized gain on investments, financial futures contracts	

and swap contracts	3,805,715
Net unrealized depreciation of investments, financial futures contracts	
and swap contracts	(33,527,534)
Accumulated distributions in excess of net investment income	(3,158,418)
Net assets applicable to common shares	**$467,254,968**
Net asset value per common share	
Based on 21,125,906 shares of beneficial interest outstanding unlimited	
number of shares authorized with no par value	$22.12

See notes to financial statements

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

Statement of operations For the period ended 1-31-08 (unaudited)[1]

This Statement of Operations summarizes the Fund s investment income earned and expenses incurred in operating the Fund. It also shows net gains (losses) and distributions paid to APS shareholders for the period stated.

Investment income	
Dividends (net of foreign withholding taxes of $7,512)	$22,063,440
Interest	3,853,501
Total investment income	**25,916,941**
Expenses	
Investment management fees (Note 3)	2,694,882
Accounting and legal services fees (Note 3)	43,636
APS auction fees	337,125
Custodian fees	79,333
Professional fees	33,879
Printing fees	21,781
Transfer agent fees	19,585
Trustees fees	10,094
Registration and filing fees	5,722
Miscellaneous	8,657
Total expenses	**3,254,694**
Less expense reductions (Note 3)	(657,748)

Net expenses	**2,596,946**
Net investment income	**23,319,995**
Realized and unrealized gain (loss)	
Net realized gain (loss) on	
Investments	2,041,286
Financial futures contracts	(2,785,647)
Swap contracts	972,272
	227,911
Change in net unrealized appreciation (depreciation) of	
Investments	(8,915,035)
Financial futures contracts	(4,018,716)
Swap contracts	(4,386,298)
	(17,320,049)
Net realized and unrealized loss	**(17,092,138)**
Distributions to APS	
Distributions to APS Series M	(1,350,474)
Distributions to APS Series T	(1,351,689)
Distributions to APS Series W	(1,332,745)
Distributions to APS Series TH	(1,347,207)
Distributions to APS Series F	(1,331,555)
	(6,713,670)
Decrease in net assets from operations	**($485,813)**

1 Semiannual period from 8-1-07 to 1-31-08.

See notes to financial statements

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

Statement 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 7-31-07	Period ended 1-31-08[1]
Increase (decrease) in net assets		

From operations		
Net investment income	$47,199,624	$23,319,995
Net realized gain	7,403,042	227,911
Change in net unrealized appreciation (depreciation)	(12,431,200)	(17,320,049)
Distributions to APS	(12,832,571)	(6,713,670)
Increase (decrease) in net assets resulting from operations	**29,338,895**	**(485,813)**
Distributions to common shareholders		
From net investment income	(39,230,662)	(19,647,093)
From net realized gain	(9,144,275)	(122,530)
	(48,374,937)	**(19,769,623)**
From Fund share transactions (Note 4)	**1,621,724**	
Total decrease	**(17,414,318)**	**(20,255,436)**
Net assets		
Beginning of period	504,924,722	487,510,404
End of period[2]	**$487,510,404**	**$467,254,968**

1 Semiannual period from 8-1-07 to 1-31-08. Unaudited.

2 Includes accumulated distributions in excess net investment income of $117,650 and $3,158,418, respectively.

See notes to financial statements

FINANCIAL STATEMENTS

Financial highlights

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

COMMON SHARES

Period ended	**7-31-03**[1,2]	**7-31-04**[1]	**7-31-05**[1]	**7-31-06**	**7-31-07**	**1-31-08**[3]
Per share operating performance						
Net asset value, beginning of period	**$23.88**[4]	**$25.22**	**$24.84**	**$26.02**	**$23.98**	**$23.08**

Net investment income[5]	1.30	2.31	2.33	2.33	2.24	1.11
Net realized and unrealized gain (loss) on investments	1.55	(0.17)	1.16	(1.71)	(0.24)	(0.81)
Distributions to APS	(0.08)	(0.14)	(0.30)	(0.50)	(0.61)	(0.32)
Total from investment operations	**2.77**	**2.00**	**3.19**	**0.12**	**1.39**	**(0.02)**
Less distributions to common shareholders						
From net investment income	(1.26)	(2.16)	(2.01)	(1.86)	(1.86)	(0.93)
From net realized gain	—	(0.22)	—	(0.30)	(0.43)	(0.01)
	(1.26)	**(2.38)**	**(2.01)**	**(2.16)**	**(2.29)**	**(0.94)**
Capital charges						
Offering costs related to common shares	(0.03)	—	—	—	—	—
Offering costs and underwriting discounts related to APS	(0.14)	—	—	—	—	—
	(0.17)	—	—	—	—	—
Net asset value, end of period	**$25.22**	**$24.84**	**$26.02**	**$23.98**	**$23.08**	**$22.12**
Per share market value, end of period	**$24.51**	**$24.35**	**$23.67**	**$23.55**	**$22.64**	**$21.96**
Total return at NAV[6,7] (%)	**10.34**[8,9]	**8.23**[9]	**13.74**[9]	**1.50**	**5.70**	**0.16**[8]
Total return at market value[6,7] (%)	**1.78**[8,10]	**9.17**	**5.55**	**9.57**	**5.58**	**1.36**[8]

Ratios and supplemental data

Net assets applicable to common shares, end of period (in millions)	$531	$523	$548	$505	$488	$467
Ratio of net expenses to average net assets[11] (%)	1.01[12]	1.07	1.09	1.06	1.05	1.12[12]
Ratio of gross expenses to average net assets[13] (%)	1.28[12]	1.37	1.38	1.36	1.34	1.41[12]
Ratio of net investment income to average net assets[14] (%)	7.84[12]	9.11	9.08	9.47	9.18	10.07[12]
Portfolio turnover (%)	147[8]	14	15	15	19	7[8]

Senior securities

Total value of APS outstanding (in millions)	$254	$254	$254	$254	$254	$254
Involuntary liquidation preference per unit (in thousands)	$25	$25	$25	$25	$25	$25
Average market value per unit (in thousands)	$25	$25	$25	$25	$25	$25
Asset coverage per unit [15]	$78,821	$75,218	$78,290	$74,047	$72,354	$70,642

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 Financial Highlights

1 Audited by previous Independent Registered Public Accounting Firm.

2 Inception period from 11-29-02 to 7-31-03.

3 Semiannual period from 8-1-07 to 1-31-08. Unaudited.

4 Reflects the deduction of a $1.125 per share sales load.

5 Based on the average of the shares outstanding.

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

7 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.

8 Not annualized.

9 Unaudited.

10 Assumes dividend reinvestment and a purchase at the offering price of $25.00 per share on the inception date and a sale at the current market price on the last day of the period.

11 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%, 0.73%, 0.74%, 0.71%, 0.70% and 0.72% for the years ended 7-31-03, 7-31-04, 7-31-05, 7-31-06, 7-31-07 and the period ended 1-31-08, respectively.

12 Annualized.

13 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%, 0.93%, 0.94%, 0.91%, 0.90% and 0.91% for the years ended 7-31-03, 7-31-04, 7-31-05, 7-31-06, 7-31-07 and the period ended 1-31-08, respectively.

14 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 5.71%, 6.17%, 6.18%, 6.36%, 6.15% and 6.49% for the years ended 7-31-03, 7-31-04, 7-31-05, 7-31-06, 7-31-07 and the period ended 1-31-08, respectively.

15 Calculated by subtracting the Fund□s total liabilities from the Fund□s total assets and dividing that amount by the number of APS outstanding as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

See notes to financial statements

Notes to financial statements (unaudited)

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 1940 Act).

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

The net asset value of the common shares of the Fund is determined daily as of the close of the New York Stock Exchange (NYSE), normally at 4:00 p.m., Eastern Time. Short-term debt investments that have a remaining maturity of 60 days or less are valued at amortized cost, and thereafter assume a constant amortization to maturity of any discount or premium, which approximates market value. All other securities held by the Fund are valued at the last sale price or official closing price (closing bid price or last evaluated quote if no sale has occurred) as of the close of business on the principal securities exchange (domestic or foreign) on which they trade or, lacking any sales, at the closing bid price. 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. Securities for which there are no such quotations, principally debt securities, 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. Debt securities whose prices cannot be provided by an independent pricing service are valued at prices provided by broker-dealers.

Other assets and securities for which no such quotations are readily available are 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. 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 times. Occasionally, 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.

Investment risk

The Fund may invest a portion of its assets in securities of issuers that hold mortgage securities, including subprime mortgage securities. The value of these securities is sensitive to changes in economic conditions, including delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Investment transactions

Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment security

transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends. Discounts/premiums are accreted/amortized for financial reporting purposes. Realized gains and losses from investment transactions are recorded on an identified cost basis.

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.

Expenses

The majority of expenses are directly identifiable to an individual 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.

Futures

The Fund may purchase and sell financial futures contracts and options on those contracts. The Fund invests in contracts based on financial instruments such as U.S. Treasury Bonds or Notes or on securities indices such as the Standard & Poor's 500 Index, in order to hedge against a decline in the value of securities owned by the Fund.

Initial margin deposits required upon entering into futures contracts are satisfied by the delivery of specific securities or cash as collateral to the broker (the Fund's agent in acquiring the futures position). If the position is closed out by an opposite position prior to the settlement date of the futures contract, a final determination of variation margin is made, cash is required to be paid to or released by the broker and the Fund realizes a gain or loss.

When the Fund sells a futures contract based on a financial instrument, the Fund becomes obligated to deliver that kind of instrument at an agreed upon date for a specified price. The Fund realizes a gain or loss depending on whether the price of an offsetting purchase is less or more than the price of the initial sale or on whether the price of an offsetting sale is more or less than the price of the initial purchase. The Fund could be exposed to risks if it could not close out futures positions because of an illiquid secondary market or the inability of counterparties to meet the terms of their contracts. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade.

The Fund had the following financial futures contracts open on January 31, 2008:

OPEN CONTRACTS	NUMBER OF CONTRACTS	POSITION	EXPIRATION	UNREALIZED DEPRECIATION
U.S. 10-year Treasury Note	720	Short	Mar 2008	$2,875,680
U.S. 10-year Treasury Note	180	Short	Mar 2008	971,572
Total				$3,847,252

Options

The Fund may purchase and sell put and call options on securities (whether or not it holds the securities in its portfolio).

When the Fund writes a put or call option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently "marked-to-market" to reflect the current market value of the option written. If an option expires or if the Fund enters into an offsetting purchase option, the Fund realizes a gain (or loss if the cost of an offsetting purchase option exceeds the premium received when the option was written). If a written call option is exercised, the Fund realizes a gain

or loss from the sale of the underlying security with the proceeds of the sale increased by the premium originally received. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security that the Fund purchases upon exercise of the option.

When the Fund purchases a put or call option, the premium paid by the Fund is included in the Portfolio of Investments and subsequently marked-to-market to reflect the current market value of the option. If the purchased option expires, the Fund realizes a loss for the cost of the option. If the Fund enters into a closing sale transaction, the Fund realizes a gain or loss, depending on whether proceeds from the closing sale transaction are greater or less than the original cost of the option. If the Fund exercises a call option, the cost of the securities acquired by exercising the call is increased by the premium paid to buy the call. If the Fund exercises a put option, it realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are decreased by the premium originally paid.

The Fund may use options to manage exposure to fluctuations in currency values. Writing puts and buying calls may increase the Fund's exposure to the underlying instrument. Buying puts and writing calls may decrease the Fund's exposure to the underlying instrument. Losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts or if the counterparties do not perform under the terms of the contract. The Fund had no outstanding written options on January 31, 2008.

Swap contracts

The Fund may enter into swap transactions in order to hedge the value of the Fund's portfolio against interest rate fluctuations or to enhance the Fund's income. Interest rate swaps represent an agreement between two counter-parties 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 records changes in the value of the swaps as unrealized gains or losses on swap contracts. Net periodic payments accrued, but not yet received (paid) are included in change in the unrealized appreciation/ depreciation on the Statement of Operations.

Swap contracts are subject to risks related to the counterparty's ability to perform under the contract, and may decline in value if the counterparty's creditworthiness deteriorates. The risks may arise from unanticipated movement in interest rates. The Fund may also suffer losses if it is unable to terminate outstanding swap contracts or reduce its exposure through offsetting transactions.

The Fund had the following interest rate swap contracts open on January 31, 2008:

	RATE TYPE				
NOTIONAL AMOUNT	PAYMENTS MADE BY FUND	PAYMENTS RECEIVED BY FUND	TERMINATION DATE	COUNTERPARTY	UNREALIZED APPRECIATION (DEPRECIATION)
$63,500,000	2.56% (a)	3-month LIBOR	Jun 2008	Morgan Stanley	$506,144
63,500,000	3.79% (a)	3-month LIBOR	Jan 2011	Morgan Stanley	(1,052,810)
63,500,000	4.37% (a)	3-month LIBOR	Nov 2010	Bank of America	(2,134,495)

Total	($2,681,161)

(a) Fixed rate

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.

The Fund has adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109 (FIN 48). FIN 48 prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of FIN 48 did not have a material impact on the Fund's financial statements. Each of the Fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

New accounting pronouncement

In September 2006, FASB Standard No. 157, Fair Value Measurements (FAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishing a framework for measuring fair value and expands disclosure about fair value measurements. As of January 31, 2008, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements; however, additional disclosures regarding pricing sources will be required about the inputs used to develop the measurements of fair value and the related realized and unrealized gain/loss as reported in the Statement of Operations for a fiscal period.

Distributions 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. During the year ended July 31, 2007, the tax character of distributions paid was as follows: ordinary income $61,207,508. Distributions paid by the Fund with respect to each class of shares are calculated in the same manner, at the same time and are in the same amount, except for the effect of expenses that may be applied differently to each class.

Such distributions, 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.

Note 3
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 Auction Preferred Shares (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. Accordingly, the expense reductions related to the reduction in management fees amounted to $657,748 for the period ended January 31, 2008. The effective rate for the period ended January 31, 2008 is 0.57% of the Fund’s managed assets. After the eighth year, the Adviser will no longer waive a portion of the management fee.

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 $43,636 with an effective rate of 0.01% 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. 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 4
Fund share transactions

Common shares

This listing illustrates the reclassification of the Fund’s capital accounts, dividend reinvestments and the number of common shares outstanding at the beginning and end of the year ended July 31, 2007, and the period ended January 31, 2008, along with the corresponding dollar value.

	Year ended 7-31-07		Period ended 1-31-08 [1]	
	Shares	**Amount**	**Shares**	**Amount**
Beginning of period	21,059,736	$498,764,930	21,125,906	$500,135,205
Distributions reinvested	66,170	1,621,724	—	—
Reclassification of capital accounts	—	(251,449)	—	—
End of period	**21,125,906**	**$500,135,205**	**21,125,906**	**$500,135,205**

1Semiannual period from 8-1-07 to 1-31-08. Unaudited.

Auction preferred shares

The Fund issued a total of 10,160 Auction Preferred Shares (2,032 shares of Series M, 2,032 shares of Series T, 2,032 shares of Series W, 2,032 shares of Series TH and 2,032 shares of Series F) (collectively, the APS) on January 29, 2003, in a public offering. The underwriting discount of $2,540,000 has been charged to capital paid-in of common shares during the period ended July 31, 2003. Offering costs of $698,787 related to common shares and $324,856 incurred in connection with the preferred shares were charged to the Fund’s capital paid-in during the period ended July 31, 2003.

APS holders may be subject to auction risk. The dividend rate for the APS is normally set through an auction process, where holders may indicate the dividend rate at which they would be willing to hold or sell their APS or purchase additional APS. An auction provides liquidity for the APS; however, holders may not be able to remarket their APS at an auction. APS will not be remarketed if there are more APS offered for sale than there are buyers. If the APS are unable to be remarketed on an auction date, a maximum interest rate is applied to the APS to compensate the investor for having to hold the shares. In the case of the Fund's APS, the maximum interest rate is the higher of 125 bps over or 125% of the 30-day "AA" Commercial Paper Rate on the date of the auction. If sufficient clearing bids do not exist at an auction, holders wishing to sell will not be able to sell all, and may not be able to sell any, of such APS in the auction. As a result, an investment in APS may be illiquid. Neither broker-dealers nor the Fund are obligated to purchase APS in an auction or otherwise, nor is the Fund required to redeem APS in the event of an unsuccessful remarketing effort at an auction.

Dividends on the APS, which accrue daily, are cumulative at a rate that was established at the offering of the APS and has been reset every seven days thereafter by an auction. During the period ended January 31, 2008, dividend rates on APS ranged as follows: Series M from 4.25% to 6.50%, Series T from 3.69% to 6.50%, Series W from 4.00% to

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6.35%, Series TH from 4.35% to 6.50% and Series F from 4.00% to 6.25% . Accrued dividends on APS are included in the value of APS on the Fund's Statement of Assets and Liabilities.

During the period ended January 31, 2008, APS of the Fund were successfully remarketed at each remarketing date. All remarketing efforts of APS shares occurring between February 13, 2008 and March 14, 2008 were not successful. As a result, the dividend rates for all series were reset to the maximum, which ranged from 3.84% to 4.34% .

The APS are subject to mandatory redemption at a redemption price equal to $25,000 per share, plus accumulated and unpaid dividends, if the Fund is in default on its asset coverage requirements with respect to the APS as defined in the Fund's bylaws. Under the 1940 Act, the Fund is required to maintain asset coverage of at least 200% with respect to the APS as of the last business day of each month in which any shares are outstanding. If the dividends on the APS shall remain unpaid in an amount equal to two full years' dividends, the holders of the APS, as a class, have the right to elect a majority of the Board of Trustees. In general, the holders of the APS and the common shareholders have equal voting rights of one vote per share, except that the holders of the APS, as a class, vote to elect two members of the Board of Trustees, and separate class votes are required on certain matters that affect the respective interests of the APS and common shareholders.

Leverage

The Fund issued preferred shares to increase its assets available for investment. When the Fund leverages its assets, the fees paid to the Adviser for investment advisory and administrative services will be higher than if the Fund did not borrow because the Adviser's fees are calculated based on the Fund's total assets, including the proceeds of the issuance of preferred shares. 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 dividend rates on any preferred shares
- 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

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 would be lower if the cost of the leverage exceeds the income or capital appreciation derived.

Note 5
Purchases and sales of securities

Purchases and proceeds from sales or maturities of securities, other than short-term securities and obligations of the U.S. government, during the period ended January 31, 2008, aggregated $45,670,622 and $59,046,611, respectively.

The cost of investments owned on January 31, 2008, including short-term investments, for federal income tax purposes was $747,637,163. Gross unrealized appreciation and depreciation of investments aggregated $13,524,628 and $40,788,341, respectively, resulting in net unrealized depreciation of $27,263,713. The difference between book basis and tax basis net unrealized appreciation of investments is attributable primarily to amortization of premiums and accretion of discounts on debt securities.

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 a diversified portfolio of 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 or other fixed-income securities which are rated investment grade or higher by Moody’s or Standard & Poor’s at the time of investment. “Assets” are defined as net assets including the liquidation preference of APS plus borrowing for investment purposes.

Bylaws

On December 16, 2003, the Trustees approved the following change to the Fund’s bylaws. The auction preferred shares section of the Fund’s bylaws was changed to update the rating agency requirements in keeping with recent changes to the agencies’ basic maintenance reporting requirements for leveraged closed-end funds. Bylaws now require an independent accountant’s confirmation only once per year, at the Fund’s fiscal year end, and changes to the agencies’ basic maintenance reporting requirements that include modifications to the eligible assets and their respective discount factors. These revisions bring the Fund’s bylaws in line with current rating agency requirements.

On September 14, 2004, the Trustees approved an amendment to the Fund’s bylaws increasing the maximum applicable dividend rate ceiling on the preferred shares to conform with the modern calculation methodology used by the industry and other John Hancock funds.

Dividends and distributions

During the period ended January 31, 2008, dividends from net investment income totaling $0.9300 per share and distributions from capital gains totaling $0.0058 per share were paid to shareholders. The dates of payments and the amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND

August 31, 2007	$0.1550
September 28, 2007	0.1550
October 31, 2007	0.1550
November 30, 2007	0.1550
December 31, 2007	0.1550
January 31, 2008	0.1550

PAYMENT DATE	CAPITAL GAIN DISTRIBUTION
December 31, 2007	$0.0058

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 Agents 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.

**Board Consideration of and
Continuation of Investment Advisory**

**Agreement and Subadvisory
Agreement: John Hancock Preferred
Income Fund II**

The Investment Company Act of 1940 (the 1940 Act) requires the Board of Trustees (the Board) of John Hancock Preferred Income Fund II (the Fund), including a majority of the Trustees who have no direct or indirect interest in the investment advisory agreement and are not "interested persons" of the Fund, as defined in the 1940 Act (the Independent Trustees), annually to meet in person to review and consider the continuation of: (i) the investment advisory agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Adviser) and (ii) the investment subadvisory agreement (the Subadvisory Agreement) with MFC Global Investment Management (U.S.), LLC (the Subadviser). The Advisory Agreement and the Subadvisory Agreement are collectively referred to as the Advisory Agreements.

At meetings held on May 7 and June 4–5, 2007, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and Subadviser and the continuation of the Advisory Agreements. During such meetings, the Board's Contracts/ Operations Committee and the Independent Trustees also met in executive sessions with their independent legal counsel.

In evaluating the Advisory Agreements, the Board, including the Contracts/Operations Committee and the Independent Trustees, reviewed a broad range of information requested for this purpose by the Independent Trustees, including: (i) the investment performance of the Fund and a peer group of comparable funds (the Peer Group) selected by Morningstar, Inc. (Morningstar), an independent provider of investment company data, for a range of periods ended December 31, 2006,1 (ii) advisory and other fees incurred by, and the expense ratios of, the Fund relative to a Peer Group, (iii) the Adviser's financial results and condition, including its and certain of its affiliates' profitability from services performed for the Fund, (iv) breakpoints in the Fund's and the Peer Group's fees and information about economies of scale, (v) the Adviser's and Subadviser's record of compliance with applicable laws and regulations, with the Fund's investment policies and restrictions, and with the applicable Code of Ethics, and the structure and responsibilities of the Adviser's and Subadviser's compliance department, (vi) the background and experience of senior management and investment professionals, and (vii) the nature, cost and character of advisory and non-investment management services provided by the Adviser and its affiliates and by the Subadviser.

The Independent Trustees considered the legal advice of independent legal counsel and relied on their own business judgment in determining the factors to be considered in evaluating the materials that were presented to them and the weight to be given to each such factor. The Board's review and conclusions were based on a comprehensive consideration of all information presented to the Board and not the result of any single controlling factor. They principally considered performance and other information from Morningstar as of December 31, 2006. The Board also considered updated performance information provided to it by the Adviser or Subadviser at the May and June 2007 meetings. Performance and other information may be quite different as of the date of this shareholders report. The key factors considered by the Board and the conclusions reached are described below.

Nature, extent and quality of services

The Board considered the ability of the Adviser and the Subadviser, based on their resources, reputation and other attributes, to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board considered the investment philosophy, research and investment decision-making processes of the Adviser and Subadviser. The Board further considered the culture of compliance, resources dedicated to compliance, compliance programs and compliance records of the Adviser and Subadviser. In addition, the Board took into account the administrative and other non-advisory services provided to the Fund by the Adviser and its affiliates.

Based on the above factors, together with those referenced below, the Board concluded that, within the context of its full deliberations, the nature, extent and quality of the investment advisory services provided to the Fund by the Adviser and Subadviser supported renewal of the Advisory Agreements.

Fund performance

The Board considered the performance results for the Fund over various time periods ended December 31, 2006. The Board also considered these results in comparison to the performance of the Peer Group, as well as the Fund's benchmark index. Morningstar determined the Peer Group for the Fund. The Board reviewed with a representative of Morningstar the methodology used by Morningstar to select the funds in the Peer Group. The Board noted the imperfect comparability of the Peer Group and that Morningstar was not able to select a comparative Category for the Fund.

The Board recognized the relatively short operational history of the Fund and noted that the Fund's performance during the three- and one-year periods was higher than the performance of the median of the Peer Group and its benchmark indices, the Merrill Lynch Preferred Stock Hybrid Securities Index and Lehman Brothers Aggregate Bond Index.

Investment advisory fee and subadvisory fee rates and expenses

The Board reviewed and considered the contractual investment advisory fee rate payable by the Fund to the Adviser for investment advisory services (the Advisory Agreement Rate). The Board received and considered information comparing the Advisory Agreement Rate with the advisory fees for the Peer Group. The Board noted that the Advisory Agreement Rate was lower than the median rate of the Peer Group.

The Board received and considered expense information regarding the Fund's various components, including advisory fees, and other non-advisory fees, including administrative fees, transfer agent fees, custodian fees and other miscellaneous fees (*e.g.*, fees for accounting and legal services). The Board considered comparisons of these expenses to the Peer Group median. The Board also received and considered expense information regarding the Fund's total operating expense ratio (Gross Expense Ratio) and total operating expense ratio after taking the fee waiver arrangement applicable to the Advisory Agreement Rate into account (Net Expense Ratio). The Board received and considered information comparing the Gross Expense Ratio and Net Expense Ratio of the Fund to that of the Peer Group. The Board noted that the Fund's Gross and Net Expense Ratios were lower than the median of the Peer Group.

The Adviser also discussed the Morningstar data and rankings, and other relevant information, for the Fund. Based on the above-referenced considerations and other factors, the Board concluded that the Fund's overall performance and expenses supported the re-approval of the Advisory Agreements.

The Board also received information about the investment subadvisory fee rate (the Subadvisory Agreement Rate) payable by the Adviser to the Subadviser for investment subadvisory services. The Board concluded that the Subadvisory Agreement Rate was fair and equitable, based on its consideration of the factors described here.

Profitability

The Board received and considered a detailed profitability analysis of the Adviser based on the Advisory Agreements, as well as on other relationships between the Fund and the Adviser and its affiliates, including the Subadviser. The Board concluded that, in light of the costs of providing investment management and other services to the Fund, the profits and other ancillary benefits reported by the Adviser were not unreasonable.

Economies of scale

The Board received and considered general information regarding economies of scale with respect to the management of the Fund, including the Fund's ability to appropriately benefit from economies of scale under the Fund's fee structure. The Board recognized the inherent limitations of any analysis of economies of scale, stemming largely from the Board's understanding that most of the Adviser's and Subadviser's costs are not specific

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to individual Funds, but rather are incurred across a variety of products and services.

The Board observed that the Advisory Agreements did not offer breakpoints. However, the Board considered the limited relevance of economies of scale in the context of a closed-end fund that, unlike an open-end fund, does not continuously offer its shares. The Board noted that the Fund, as a closed-end investment company, was not expected to increase materially in size and that its assets would grow (if at all) through the investment performance of the Fund. Therefore, the Board did not consider potential economies of scale as a principal factor in assessing the fees payable under the Advisory Agreements, but concluded that the fees were fair and equitable based on relevant factors.

Other benefits to the Adviser

The Board received information regarding potential fall-out or ancillary benefits received by the Adviser and its affiliates as a result of the Advisers relationship with the Fund. Such benefits could include, among others, benefits directly attributable to the relationship of the Adviser with the Fund and benefits potentially derived from an increase in the business of the Adviser as a result of its relationship with the Fund (such as the ability to market to shareholders other financial products offered by the Adviser and its affiliates).

The Board also considered the effectiveness of the Advisers, Subadvisers and Funds policies and procedures for complying with the requirements of the federal securities laws, including those relating to best execution of portfolio transactions and brokerage allocation.

Other factors and broader review

As discussed above, the Board reviewed detailed materials received from the Adviser and Subadviser as part of the annual re-approval process. The Board also regularly reviews and assesses the quality of the services that the Fund receives throughout the year. In this regard, the Board reviews reports of the Adviser and Subadviser at least quarterly, which include, among other things, fund performance reports and compliance reports. In addition, the Board meets with portfolio managers and senior investment officers at various times throughout the year.

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board concluded that approval of the continuation of the Advisory Agreements for the Fund was in the best interest of the Fund and its shareholders. Accordingly, the Board unanimously approved the continuation of the Advisory Agreements.

[1] Morningstar also provided a comparative analysis for most, but not all, of the John Hancock Funds of the investment performance and advisory and other fees incurred by, and the expense ratios of, the John Hancock Funds relative to a category of relevant funds (the Category). Morningstar was not able to select a comparative Category for the John Hancock Preferred Income Fund II. Therefore, Morningstar did not provide such an analysis.

For more information

The Funds proxy voting policies, procedures and records are available without charge, upon request:

By phone	On the Funds Web site	On the SECs Web site
1-800-225-5291	www.jhfunds.com/proxy	www.sec.gov

Investment adviser
John Hancock Advisers, LLC
601 Congress Street
Boston, MA 02210-2805

Subadviser
MFC Global Investment
Management (U.S.), LLC
101 Huntington Avenue
Boston, MA 02199

Custodian
The Bank of New York
One Wall Street
New York, NY 10286

Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310

Transfer agent for
preferred shareholders
Deutsche Bank Trust
Company Americas
280 Park Avenue
New York, NY 10017

Legal counsel
Kirkpatrick & Lockhart
Preston Gates Ellis LLP
One Lincoln Street
Boston, MA 02111-2950

Stock symbol
Listed New York Stock
Exchange: HPF

For shareholder assistance
refer to page 27

How to contact us

Internet	www.jhfunds.com	
Mail	Mellon Investor Services Newport Office Center VII 480 Washington Boulevard Jersey City, NJ 07310	
Phone	Customer service representatives	1-800-852-0218
	Portfolio commentary	1-800-344-7054
	EASI-Line	1-800-843-0090
	TDD line	1-800-231-5469

A listing of month-end portfolio holdings is available on our Web site, www.jhfunds.com. A more detailed portfolio holdings summary is available on a quarterly basis 60 days after the fiscal quarter on our Web site or upon request by calling 1-800-225-5291, or on the SECs Web site, www.sec.gov.

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11-800-852-0218
1-800-231-5469 TDD
1-800-843-0090 EASI-Line
www.jhfunds.com

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ITEM 2. CODE OF ETHICS.

As of the end of the period, January 31, 2008, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Chief Executive Officer, Chief Financial Officer and Treasurer (respectively, the principal executive officer, the principal financial officer and the principal accounting officer, the Senior Financial Officers). A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. SCHEDULE OF INVESTMENTS.

Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable at this time.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable at this time.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable at this time.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no material changes to previously disclosed John Hancock Funds Governance Committee Charter.

ITEM 11. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal executive officer and principal financial officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-

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year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Code of Ethics for Senior Financial Officers is attached.

(a)(2) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(b) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

(c)(1) Submission of Matters to a Vote of Security Holders is attached. See attached John Hancock Funds Governance Committee Charter.

(c)(2) Contact person at the registrant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

John Hancock Preferred Income Fund II

By: /s/ Keith F. Hartstein

Keith F. Hartstein

President and Chief Executive Officer

Date: March 31, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Keith F. Hartstein

Keith F. Hartstein
President and Chief Executive Officer

Date: March 31, 2008

By: /s/ Charles A. Rizzo

Charles A. Rizzo
Chief Financial Officer

Date: March 31, 2008