

John Hancock

MUTUAL FUNDS

John Hancock
Preferred Income Fund II



Annual Report
7.31.11

Ticker | **HPF**

CEO corner



To Our Shareholders,

The year ended July 31, 2011 was tumultuous for financial markets, which had a multitude of issues to contend with, some of them growing worse as the period progressed. The list seemed endless. The questionable state of the U.S. economy, fears about the European debt crisis, natural disasters in Japan and growing unrest in the Middle East (which sparked hikes in oil and other commodities prices) were joined late in the period by worries about U.S. debt ceiling negotiations and growing signs of slowing U.S. and global economies, not to mention the downgrade of U.S. debt in early August and the ensuing days of market upheaval.

Through July 31, 2011, financial markets mostly managed to overcome these obstacles, in large part because of vibrant corporate earnings growth that trumped the macro issues and kept investors in the market. For the 12 months ended July 31, 2011, the equity market returned 19.65%, as measured by the S&P 500 Index. However, the bulk of that return came in the first half of the period, as the second half grew more volatile and the period ended with the market in descent.

Over the 12-month period, bonds produced positive, but more modest results, with the broad Barclays Capital U.S. Aggregate Bond Index returning 4.44%. High-yield corporate bonds were the best-performing bond category, the beneficiaries of strong corporate earnings growth and investors' ongoing search for higher yields in a low interest-rate environment. Treasuries lagged the group in the period overall, but gained ground at the period's end as market volatility escalated and investors sought their relative safety, despite the potential loss of their AAA rating, which indeed occurred a week after the period ended.

In this volatile environment we are reminded of the Chinese word for "crisis," which is made up of two characters — one means "danger," the other "opportunity." Often, in the midst of financial uncertainty, the media tend to focus only on the danger and not on the opportunities.

We encourage investors to remain patient, not react emotionally and look instead for the opportunities in the midst of market turmoil. Working with your financial adviser, position your portfolio to take advantage of the downturn, rather than exiting the market. Going into cash means you need to make two correct decisions in timing the market: when to get out, and more importantly, when to get back in. In the market crash of 2008, many investors felt good about their first decision, but waited far too long to make that second decision. The result was that they missed the rally in 2009 and left substantial gains on the table.

Sincerely,

Keith F. Hartstein

Keith F. Hartstein,
President and Chief Executive Officer

This commentary reflects the CEO's views as of August 31, 2011. They are subject to change at any time. For more up-to-date information, you can visit our Web site at www.jhfunds.com.

Not part of the annual report

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Your fund at a glance

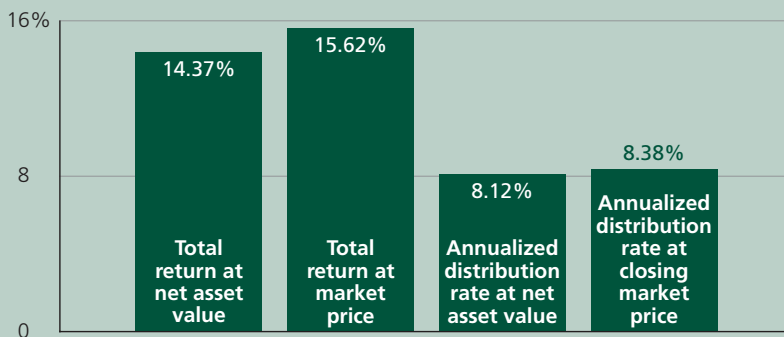
The Fund's primary investment objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary investment objective is to provide growth of capital to the extent consistent with its primary investment objective. The Fund seeks to achieve its objectives 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 80% of its assets (net assets plus borrowings for investment purposes) in preferred stocks and other preferred securities, including convertible preferred securities.

Over the last twelve months

- ▶ Preferred securities posted solid gains, outpacing the overall U.S. investment-grade bond market, but generally lagging U.S. common stocks.
- ▶ Preferred securities' advance was fueled by strong investor demand, diminished new issue supply and improving corporate profitability.
- ▶ The Fund benefited from its holdings in energy and utility companies, while some U.K. bank holdings were relative disappointments.

John Hancock Preferred Income Fund II

Fund performance and distribution rates for the year ended July 31, 2011.



The total returns for the Fund include all distributions reinvested. The performance data contained within this material represents past performance, which does not guarantee future results.

Current annualized distribution rate is the latest monthly dividend rate as an annualized percentage of net asset value/market price on 7-31-11. The Fund's monthly distributions may be from net investment income, capital gains or return of capital.

Managers' report

John Hancock

Preferred Income Fund II

Preferred securities posted solid results for the 12 months ended July 31, 2011, with the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index returning 7.86%. Their gains fell between the 19.65% return of the broad S&P 500 Index and the 4.44% advance of the Barclays Capital U.S. Aggregate Bond Index.

Preferred securities performed well at the beginning of the period in response to rising concerns that the U.S. economy would slip back into recession and low interest rates. Economic worries tempered demand for riskier asset classes such as common stocks, while ultra-low levels of interest rates fueled investors' appetite for high-yielding alternatives to U.S. government securities. At the same time, a lack of new issuance of preferred securities — caused by companies' increased focus on improving their balance sheets and new regulations that dampened banks' new issue activity — helped elevate the scarcity value of existing preferred securities.

Although preferred securities came under some pressure in late 2010 when stronger-than-expected economic data dampened demand for fixed-income securities, they quickly bounced back and performed reasonably well throughout the remainder of the 12-month period. Demand for preferred securities remained strong as investors continually sought higher-yielding, investment-grade alternatives to government bonds. At the same time, demand for preferred securities was bolstered by much better-than-expected corporate profit reports. Furthermore, the extension of Bush-era tax policies and other forms of stimulus — including the continuation of the 15% tax rate on qualified dividends on many tax-advantaged preferred securities — bolstered sentiment for such investments.

TOP 10 ISSUERS¹

Nexen, Inc.	4%
Viacom, Inc.	3%
Morgan Stanley Capital Trusts.....	3%
Merrill Lynch Preferred Capital Trusts.....	3%
Interstate Power & Light Company.....	3%
The Goldman Sachs Group, Inc.	3%
MetLife, Inc.	3%
United States Cellular Corp.	3%
Comcast Corp.	3%
Deutsche Bank	3%



Portfolio Managers Gregory K. Phelps and Mark T. Maloney

John Hancock Asset Management (formerly MFC Global Investment Management (U.S.), LLC)²

Performance

For the 12 months ended July 31, 2011, John Hancock Preferred Income Fund II returned 14.37% at net asset value (NAV) and 15.62% at market price. The difference in the Fund's 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 Fund's NAV price at any time. By comparison, the group of closed-end preferred income funds tracked by UBS Securities LLC returned an average of 17.26% at NAV and 11.50% at market prices. For the same 12-month period, the Barclays Capital U.S. Aggregate Bond Index returned 4.44% and the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index returned 7.86%.

The Fund's current annualized distribution rate was 8.12% at NAV and 8.38% at closing market price on July 31, 2011. That compared with the average 7.86% at NAV and 8.19% at closing market price for the UBS group of closed-end preferred income funds on July 31, 2011.

The Fund's NAV results outperformed the Barclays Capital U.S. Aggregate Bond Index because preferred stocks outpaced all major components of that benchmark.

Leaders and laggards

During the 12-month period ended July 31, 2011, one of the Fund's better-performing preferred holdings was oil and gas exploration and production company Apache Corp., which benefited from rising oil prices and expectations of expanding demand. Other good performers included PPL Corp., which did well largely due to strong investor demand for investment-grade utility securities that carried attractive coupons. For similar reasons, investments in the recently

“Preferred securities posted solid results for the 12 months ended July 31, 2011...”

issued securities of telecommunications company Qwest Corp. also performed well. Holdings in U.K. bank HBSC Holdings PLC contributed to Fund results, thanks mostly to the fact that other similar holdings were redeemed by the issuer, making the Fund's holdings more scarce in the marketplace, and thereby increasing relative demand for those still outstanding. However, investments in certain preferred securities issued by Royal Bank of Scotland Group PLC and Barclays Bank PLC were relative disappointments. These banks came under pressure due to investors' fears that their earnings would be negatively affected by economic weakness in Europe, the continent's sovereign debt woes and new and costly regulations.

A word about dividends

Effective with the distribution payment on May 31, 2011, the monthly distribution of John Hancock Preferred Income Fund II rose by 12.9% to \$0.1400 per share, up from \$0.1240 per share. The increased distribution rate was payable to holders of record on May 12, 2011 and had an ex-dividend date of May 10, 2011. The new distribution rate more closely reflects the Fund's current earnings. There were several positive developments enabling the Fund to increase its distribution, including an increase in the overall dividend yield of the portfolio, an increase in the Fund's leverage in 2010 (adding to the Fund's earnings spread) and the expiration of certain higher-cost interest-rate swaps. Subsequent to period end, the Fund entered into new interest-rate swaps.

Outlook

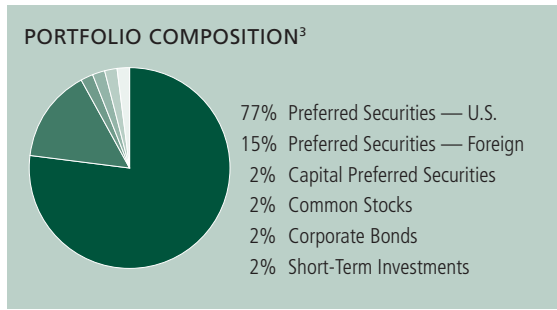
Given the fragility of the U.S. economy, the Federal Reserve has indicated that it will not raise interest rates in the coming 18 months or so. A steady, low-rate environment likely would be favorable for preferred securities, as it has been over the past year or so, because it will continue to drive demand for higher-yielding alternatives to government securities. Additionally, we're reasonably upbeat about future corporate profitability. Although U.S. economic growth has decelerated in recent months, we think the economy will continue to expand, albeit at a sluggish pace. Still, our view is that even modest growth will help set the stage for improved corporate profitability.

SECTOR COMPOSITION³

Financials.....	48%
Utilities	26%
Telecommunication Services	8%
Consumer Discretionary ...	7%
Energy.....	7%
Consumer Staples	2%
Short-Term Investments....	2%

Investors were understandably shaken by the market downturn that occurred at the end of the period amid the wrangling over the U.S. federal budget debt ceiling and the subsequent downgrade of U.S. debt days after the period ended. That said, we believe market participants will eventually turn their attention back to company fundamentals, and we think they'll be reassured by the fact that earnings, which ultimately drive stock prices, will, in our view, continue to expand.

“A steady, low-rate environment likely would be favorable for preferred securities, as it has been over the past year or so...”



This commentary reflects the views of the portfolio managers through 8-31-11. The managers' statements reflect their 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 total assets in the industries comprising the utilities sector, which includes telecommunications companies, measured at the time of purchase. When the Fund's 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 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, the Fund may invest in financial services companies, which can be hurt by economic declines, changes in interest rates, regulatory and market impacts. The Fund's investments in securities of non-U.S. issuers involves special risks such as political, economic and currency risks and differences in accounting standards and financial reporting.

¹ As a percentage of the Fund's total investments on 7-31-11. Cash and cash equivalents not included in Top 10 Issuers.

² Manulife Asset Management (US) LLC is doing business as John Hancock Asset Management.

³ As a percentage of the Fund's total investments on 7-31-11.

Management's discussion of Fund performance

By John Hancock Asset Management
(formerly MFC Global Investment Management (U.S.), LLC)

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The Fund's NAV results outperformed the Barclays Capital U.S. Aggregate Bond Index because preferred stocks outpaced all major components of that benchmark. During the 12-month period, one of the better-performing preferred holdings was oil and gas exploration and production company Apache Corp., which benefited from rising oil prices and expectations of expanding demand. Other good performers included PPL Corp. and telecommunications company Qwest Corp., which did well largely due to strong investor demand for investment-grade utility securities that carried attractive coupons. On the downside, investments in certain preferred securities issued by Royal Bank of Scotland Group PLC and Barclays Bank PLC were relative disappointments. These banks came under pressure due to investors' fears that their earnings would be hurt by economic weakness in Europe, the continent's sovereign debt woes and new and costly regulations.

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Portfolio summary

Top 10 Issuers (31.0% of Total Investments on 7-31-11)¹

Nexen, Inc.	4%	The Goldman Sachs Group, Inc.	3%
Viacom, Inc.	3%	MetLife, Inc.	3%
Morgan Stanley Capital Trusts	3%	United States Cellular Corp.	3%
Merrill Lynch Preferred Capital Trusts	3%	Comcast Corp.	3%
Interstate Power & Light Company	3%	Deutsche Bank	3%

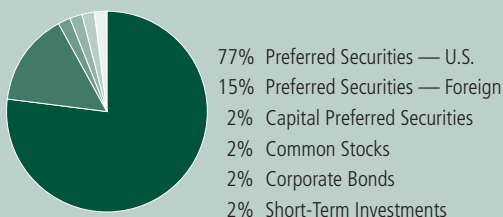
Sector Composition^{2,3}

Financials	48%	Energy	7%
Utilities	26%	Consumer Staples	2%
Telecommunication Services	8%	Short-Term Investments	2%
Consumer Discretionary	7%		

Country Composition²

United States	84%	Netherlands	4%
United Kingdom	5%	Switzerland	2%
Canada	4%	Bermuda	1%

PORTFOLIO COMPOSITION²



¹ Cash and cash equivalents not included in the Top 10 Issuers.

² As a percentage of the Fund's total investments on 7-31-11.

³ Investments focused in 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.

Fund's investments

As of 7-31-11

	Shares	Value
Preferred Securities (a) 136.10% (92.16% of Total Investments)		\$596,755,306
(Cost \$603,094,519)		
Consumer Discretionary 10.17%		44,579,926
Media 10.17%		
CBS Corp., 6.750% (Z)	198,700	5,027,110
Comcast Corp., 6.625% (Z)	118,500	3,033,600
Comcast Corp., Series B, 7.000% (L)(Z)	610,000	15,487,900
Viacom, Inc., 6.850% (L)(Z)	834,245	21,031,316
Consumer Staples 3.34%		14,670,000
Food & Staples Retailing 3.34%		
Ocean Spray Cranberries, Inc., Series A, 6.250% (S)(Z)	160,000	14,670,000
Energy 7.87%		34,493,578
Oil, Gas & Consumable Fuels 7.87%		
Apache Corp., Series D, 6.000%	85,100	5,543,414
Nexen, Inc., 7.350% (Z)	1,151,100	28,950,164
Financials 71.62%		314,048,799
Capital Markets 10.61%		
Credit Suisse Guernsey, 7.900% (L)(Z)	319,000	8,437,550
Lehman Brothers Holdings Capital Trust III, Series K, 6.375% (I)	177,000	9,735
Lehman Brothers Holdings Capital Trust V, Series M, 6.000% (I)	46,600	2,936
Lehman Brothers Holdings, Inc., Depositary Shares, Series C, 5.940% (I)	145,200	1,452
Morgan Stanley Capital Trust III, 6.250% (L)(Z)	290,000	6,919,400
Morgan Stanley Capital Trust IV, 6.250% (Z)	161,800	3,845,986
Morgan Stanley Capital Trust V, 5.750% (Z)	355,000	8,161,450
Morgan Stanley Capital Trust VI, 6.600%	9,600	235,968
Morgan Stanley Capital Trust VII, 6.600%	52,400	1,280,656
The Goldman Sachs Group, Inc., 6.125% (Z)	646,924	16,037,246
The Goldman Sachs Group, Inc., Series B, 6.200%	63,300	1,576,803
Commercial Banks 16.09%		
Barclays Bank PLC, Series 3, 7.100% (L)(Z)	375,000	9,071,250
Barclays Bank PLC, Series 5, 8.125% (Z)	330,000	8,358,900
HSBC Holdings PLC, Series A, 6.200% (L)(Z)	254,600	6,171,504

	Shares	Value
Commercial Banks (continued)		
Royal Bank of Scotland Group PLC, Series L, 5.750% (Z)	480,000	\$8,342,400
Santander Finance Preferred SA Unipersonal, Series 10, 10.500% (Z)	329,000	9,165,940
Santander Holdings USA, Inc., Series C, 7.300%	105,567	2,644,453
USB Capital VIII, Series 1, 6.350% (Z)	233,500	5,830,495
USB Capital X, 6.500%	30,300	761,136
USB Capital XI, 6.600%	190,000	4,816,500
Wells Fargo & Company, 8.000% (L)(Z)	554,500	15,387,375
Consumer Finance 2.38%		
HSBC Finance Corp., Depository Shares, Series B, 6.360% (Z)	143,200	3,425,344
SLM Corp., 6.000% (Z)	196,800	4,117,056
SLM Corp., Series A, 6.970% (Z)	64,000	2,880,000
Diversified Financial Services 24.42%		
BAC Capital Trust II, 7.000% (Z)	22,400	542,304
Citigroup Capital VIII, 6.950% (L)(Z)	660,000	16,341,600
Citigroup Capital XIII (7.875% to 10-30-15, then 3 month LIBOR + 6.370%)	19,000	514,330
Corporate Backed Trust Certificates, Series HSBC, 6.250% (Z)	45,400	1,090,508
Deutsche Bank Capital Funding Trust X, 7.350%	155,722	3,872,806
Deutsche Bank Contingent Capital Trust II, 6.550% (Z)	161,000	3,796,380
Deutsche Bank Contingent Capital Trust III, 7.600% (L)(Z)	392,500	9,906,700
Fleet Capital Trust VIII, 7.200% (L)(Z)	332,000	8,223,640
General Electric Capital Corp., 6.000%	25,100	629,257
General Electric Capital Corp., 6.050%	23,000	580,520
ING Groep NV, 7.050% (L)(Z)	775,700	17,391,194
JPMorgan Chase Capital XXIX, 6.700% (Z)	665,377	16,900,576
Merrill Lynch Preferred Capital Trust III, 7.000% (Z)	362,300	8,669,839
Merrill Lynch Preferred Capital Trust IV, 7.120% (Z)	193,200	4,644,528
Merrill Lynch Preferred Capital Trust V, 7.280% (Z)	276,100	6,676,098
RBS Capital Funding Trust V, 5.900% (Z)	398,000	5,337,180
RBS Capital Funding Trust VII, 6.080% (Z)	145,000	1,956,050
Insurance 11.89%		
Aegon NV, 6.375% (L)(Z)	355,000	7,948,450
American Financial Group, Inc., 7.000%	258,000	6,540,300
MetLife, Inc., Series B, 6.500% (L)(Z)	783,400	19,577,166
Phoenix Companies, Inc., 7.450% (Z)	229,300	4,964,345
PLC Capital Trust IV, 7.250% (Z)	390,500	9,789,835
Prudential PLC, 6.500% (Z)	103,000	2,564,700
RenaissanceRe Holdings Ltd., Series C, 6.080% (Z)	32,500	767,325

	Shares	Value
Real Estate Investment Trusts 6.19%		
Duke Realty Corp., Depository Shares, Series J, 6.625% (L)(Z)	449,400	\$10,812,564
Duke Realty Corp., Depository Shares, Series K, 6.500% (L)(Z)	110,000	2,632,300
Duke Realty Corp., Depository Shares, Series L, 6.600% (L)(Z)	109,840	2,647,144
Public Storage, 6.350%	47,500	1,185,125
Public Storage, Inc., Depository Shares, Series Q, 6.500%	135,800	3,462,900
Public Storage, Inc., Depository Shares, Series X, 6.450% (Z)	30,000	743,100
Public Storage, Inc., Series P, 6.500%	52,000	1,341,600
Wachovia Preferred Funding Corp., Series A, 7.250% (Z)	170,000	4,338,400
Thriffs & Mortgage Finance 0.04%		
Federal National Mortgage Association, Series S 7.750% (I)	75,000	178,500
		45,592,684
Telecommunication Services 10.40%		
Diversified Telecommunication Services 2.95%		
Qwest Corp., 7.375%	499,000	12,949,050
Wireless Telecommunication Services 7.45%		
Telephone & Data Systems, Inc., 6.625% (Z)	161,300	3,924,429
Telephone & Data Systems, Inc., 6.875%	81,500	2,047,280
Telephone & Data Systems, Inc., 7.000%	281,000	7,128,970
United States Cellular Corp., 6.950%	768,500	19,542,955
		143,370,319
Utilities 32.70%		
Electric Utilities 16.51%		
Duquesne Light Company, 6.500% (Z)	98,450	4,888,663
Entergy Arkansas, Inc., 5.750%	66,400	1,696,520
Entergy Louisiana LLC, 5.875%	183,700	4,774,363
Entergy Louisiana LLC, 6.000%	185,000	4,958,000
Entergy Mississippi, Inc., 6.000%	182,025	4,687,144
Entergy Mississippi, Inc., 6.200%	97,500	2,588,625
Entergy Texas, Inc., 7.875%	37,400	1,065,900
FPC Capital I, Series A, 7.100% (Z)	368,000	9,384,000
FPL Group Capital Trust I, 5.875% (L)(Z)	267,800	6,815,510
Georgia Power Capital Trust VII, 5.875% (Z)	95,000	2,393,050
Gulf Power Co., 5.750%	158,500	4,147,945
HECO Capital Trust III, 6.500% (Z)	187,750	4,703,138
NSTAR Electric Company, 4.780% (Z)	15,143	1,404,987
PPL Corp., 9.500%	262,000	14,695,580
Southern California Edison Company, Series C, 6.000% (Z)	20,000	1,948,750
Westar Energy, Inc., 6.100% (Z)	87,700	2,223,195

	Shares	Value
Multi-Utilities 16.19%		
Baltimore Gas & Electric Company, Series 1995, 6.990% (Z)	39,870	\$4,067,988
BGE Capital Trust II, 6.200% (Z)	486,400	12,169,728
DTE Energy Trust I, 7.800% (Z)	287,200	7,653,880
Interstate Power & Light Company, Series B, 8.375% (L)(Z)	699,350	20,057,358
SCANA Corp., 7.700% (Z)	538,900	14,954,475
Xcel Energy, Inc., 7.600% (Z)	448,000	12,091,520

	Rate (%)	Maturity date	Par value	Value
Capital Preferred Securities (b) 3.16% (2.14% of Total Investments)				\$13,870,758

(Cost \$14,688,460)

Utilities 3.16% **13,870,758**

Multi-Utilities 3.16%				
Dominion Resources Capital Trust I (L)(Z)	7.830	12-01-27	\$8,450,000	8,689,558
Dominion Resources Capital Trust III (L)(Z)	8.400	01-15-31	5,000,000	5,181,200

	Shares	Value
Common Stocks 3.45% (2.33% of Total Investments)		\$15,118,209

(Cost \$12,735,270)

Telecommunication Services 1.32% **5,805,204**

Diversified Telecommunication Services 1.32%				
AT&T, Inc.			125,000	3,657,500
Frontier Communications Corp.			27,604	206,754
Verizon Communications, Inc.			55,000	1,940,950

Utilities 2.13% **9,313,005**

Electric Utilities 2.01%				
FirstEnergy Corp.			145,000	6,474,250
UIL Holdings Corp.			73,500	2,346,855

Multi-Utilities 0.12%				
National Grid PLC, ADR			10,000	491,900

	Rate (%)	Maturity date	Par value	Value
Corporate Bonds 2.24% (1.52% of Total Investments)				\$9,811,500

(Cost \$10,362,033)

Energy 2.24% **9,811,500**

Oil, Gas & Consumable Fuels 2.24%				
Southern Union Company (7.200% to 11-1-11, then 3 month LIBOR + 3.018%) (L)(Z)	7.200	11-01-66	\$10,550,000	9,811,500

	Par value	Value
Short-Term Investments 2.74% (1.85% of Total Investments)		\$12,000,000
(Cost \$12,000,000)		
Repurchase Agreement 2.74%		12,000,000
Repurchase Agreement with State Street Corp. dated 7-29-11 at 0.010% to be repurchased at \$12,000,010 on 8-1-11, collateralized by \$12,075,000 Federal Home Loan Mortgage Corp., 1.750% due 6-15-12 (valued at \$12,241,031, including interest).	\$12,000,000	12,000,000
Total investments (Cost \$652,880,282)† 147.69%		\$647,555,773
Other assets and liabilities, net (47.69%)		(\$209,090,205)
Total net assets 100.00%		\$438,465,568

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

ADR American Depositary Receipts

LIBOR London Interbank Offered Rate

- (a) Includes preferred stocks and hybrid securities with characteristics of both equity and debt that pay dividends on a periodic basis.
- (b) Includes hybrid securities with characteristics of both equity and debt that trade with, and pay, interest income.
- (I) Non-income producing security.
- (L) All or a portion of this security is on loan as of 7-31-11, and is part of segregated collateral pursuant to the Committed Facility Agreement. Total value of securities on loan at 7-31-11 was \$192,250,008.
- (S) This security is exempt from registration under Rule 144A of the Securities Act of 1933. Such a security 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 pursuant to the Committed Facility Agreement. Total collateral value at 7-31-11 was \$439,277,270.

† At 7-31-11, the aggregate cost of investment securities for federal income tax purposes was \$653,116,400. Net unrealized depreciation aggregated \$5,560,627, of which \$26,848,637 related to appreciated investment securities and \$32,409,264 related to depreciated investment securities.

The Fund had the following country concentration as a percentage of total investments on 7-31-11:

United States	84%
United Kingdom	5%
Canada	4%
Netherlands	4%
Switzerland	2%
Bermuda	1%

Financial statements

Statement of assets and liabilities 7-31-11

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 \$652,880,282)	\$647,555,773
Cash	14,280,144
Dividends and interest receivable	2,030,013
Other receivables and prepaid expenses	48,536
Total assets	663,914,466
Liabilities	
Committed facility agreement payable (Note 8)	222,300,000
Payable for investments purchased	2,977,793
Interest payable (Note 8)	22,578
Payable to affiliates	
Accounting and legal services fees	11,000
Trustees' fees	28,594
Other liabilities and accrued expenses	108,933
Total liabilities	225,448,898
Net assets	
Capital paid-in	\$496,214,175
Undistributed net investment income	2,094,391
Accumulated net realized loss on investments and swap agreements	(54,518,489)
Net unrealized appreciation (depreciation) on investments	(5,324,509)
Net assets	\$438,465,568
Net asset value per share	
Based on 21,182,284 shares of beneficial interest outstanding — unlimited number of shares authorized with no par value	\$20.70

Statement of operations For the year ended 7-31-11

This Statement of operations summarizes the Fund's investment income earned and expenses incurred in operating the Fund. It also shows net gains (losses) for the period stated.

Investment income	
Dividends	\$41,840,050
Interest	1,924,545
Total investment income	43,764,595
Expenses	
Investment management fees (Note 5)	4,847,410
Accounting and legal services fees (Note 5)	61,674
Transfer agent fees	32,833
Trustees' fees (Note 5)	56,596
Printing and postage	83,865
Professional fees	114,831
Custodian fees	67,757
Interest expense (Note 8)	2,262,056
Stock exchange listing fees	23,624
Other	54,336
Total expenses	7,604,982
Less expense reductions (Note 5)	(104,884)
Net expenses	7,500,098
Net investment income	36,264,497
Realized and unrealized gain (loss)	
Net realized gain (loss) on	
Investments	428,414
Swap contracts (Note 3)	(2,312,932)
	(1,884,518)
Change in net unrealized appreciation (depreciation) of	
Investments	19,854,617
Swap contracts (Note 3)	2,288,123
	22,142,740
Net realized and unrealized gain	20,258,222
Increase in net assets from operations	\$56,522,719

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, if any.

	Year ended 7-31-11	Year ended 7-31-10
Increase (decrease) in net assets		
From operations		
Net investment income	\$36,264,497	\$35,911,904
Net realized loss	(1,884,518)	(3,630,649)
Change in net unrealized appreciation (depreciation)	22,142,740	70,171,138
Increase in net assets resulting from operations	56,522,719	102,452,393
Distributions to shareholders		
From net investment income	(32,535,988)	(31,519,239)
Total increase	23,986,731	70,933,154
Net assets		
Beginning of year	414,478,837	343,545,683
End of year	\$438,465,568	\$414,478,837
Undistributed (accumulated distributions in excess of) net investment income	\$2,094,391	(\$19,074)

Statement of cash flows 7-31-11

This Statement of cash flows shows cash flow from operating and financing activities for the period stated.

	For the year ended 7-31-11
Cash flows from operating activities	
Net increase in net assets from operations	\$56,522,719
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Long-term investments purchased	(130,453,625)
Long-term investments sold	114,439,225
Decrease in short-term investments	8,898,649
Net amortization of premium (discount)	29,131
Increase in dividends and interest receivable	(723,669)
Increase in payable for investments purchased	2,656,648
Decrease in receivable for investments sold	1,000,339
Increase in other receivables and prepaid expenses	(6,843)
Decrease in unrealized depreciation of swap contracts	(2,288,123)
Increase in payable to affiliates	11,337
Increase in interest payable	2,646
Decrease in other liabilities and accrued expenses	(28,751)
Net change in unrealized (appreciation) depreciation on investments	(19,854,617)
Net realized gain on investments	(428,414)
Net cash provided by operating activities	\$29,776,652
Cash flows from financing activities	
Borrowings from committed facility agreement	17,000,000
Distributions to shareholders	(32,535,988)
Net cash used by financing activities	(\$15,535,988)
Net increase in cash	\$14,240,664
Cash at beginning of year	\$39,480
Cash at end of year	\$14,280,144
Supplemental disclosure of cash flow information	
Cash paid for interest	\$2,259,410

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	7-31-11	7-31-10	7-31-09	7-31-08	7-31-07
Per share operating performance					
Net asset value, beginning of year	\$19.57	\$16.22	\$18.26	\$23.08	\$23.98
Net investment income ¹	1.71	1.70	1.62	2.08	2.24
Net realized and unrealized gain (loss) on investments	0.96	3.14	(1.95)	(4.56)	(0.24)
Distributions to Auction Preferred Shares (APS)	—	—	—	(0.47)	(0.61)
Total from investment operations	2.67	4.84	(0.33)	(2.95)	1.39
Less distributions to common shareholders					
From net investment income	(1.54)	(1.49)	(1.51)	(1.84)	(1.86)
From net realized gain	—	—	—	(0.01)	(0.43)
From tax return of capital	—	—	(0.20)	(0.02)	—
Total distributions	(1.54)	(1.49)	(1.71)	(1.87)	(2.29)
Net asset value, end of year	\$20.70	\$19.57	\$16.22	\$18.26	\$23.08
Per share market value, end of year	\$20.05	\$18.75	\$16.06	\$17.43	\$22.64
Total return at net asset value (%)^{2,3}	14.37	31.61	1.15	(13.31)	5.70
Total return at market value (%)³	15.62	27.35	4.92	(15.65)	5.58
Ratios and supplemental data					
Net assets applicable to common shares, end of year (in millions)	\$438	\$414	\$344	\$386	\$488
Ratios (as a percentage of average net assets):					
Expenses before reductions (excluding interest expense)	1.23	1.29	1.37	1.42	1.34
Interest expense (Note 8)	0.52	0.60	1.18	0.30	—
Expenses before reductions (including interest expense)	1.75	1.89	2.55	1.72	1.34 ⁴
Expenses net of reductions (excluding interest expense)	1.20	1.20	1.19	1.16	1.05
Expenses net of reductions (including interest expense)	1.72	1.80	2.37	1.46	1.05 ⁵
Net investment income	8.34	9.47	12.16	9.94	9.18 ⁶
Portfolio turnover (%)	18	10	15	10	19
Senior securities					
Total value of APS outstanding (in millions)	—	—	—	— ⁷	\$254
Involuntary liquidation preference per unit (in thousands)	—	—	—	—	\$25
Average market value per unit (in thousands)	—	—	—	—	\$25
Asset coverage per unit ⁸	—	—	—	—	\$72,354
Total debt outstanding end of year (in millions) (Note 8)	\$222	\$205	\$170	\$184	—
Asset coverage per \$1,000 of APS ⁹	—	—	—	—	\$2,919
Asset coverage per \$1,000 of debt ¹⁰	\$2,972	\$3,019	\$3,024	\$3,097	—

¹Based on the average daily shares outstanding.

²Total returns would have been lower had certain expenses not been reduced during the periods shown.

³Total 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.

⁴Ratios 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 ratio of gross expenses would have been 0.90% for the year ended 7-31-07.

⁵Ratios calculated on the basis of net expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratio of net expenses would have been 0.70% for the year ended 7-31-07.

⁶Ratios 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 ratio of net investment income would have been 6.15% for the year ended 7-31-07.

⁷In May 2008, the Fund entered into a Committed Facility Agreement with a third-party financial institution in order to redeem the APS. The redemption of all APS was completed on 5-28-08.

⁸Calculated 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.

⁹Asset coverage equals the total net assets plus APS divided by the APS of the Fund outstanding at period end.

¹⁰Asset coverage equals the total net assets plus borrowings divided by the borrowings of the Fund outstanding at period end (Note 8).

Notes to financial statements

Note 1 — Organization

John Hancock Preferred Income Fund II (the Fund) is a closed-end diversified management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund commenced operations on November 29, 2002.

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. Events or transactions occurring after the end of the fiscal period through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

Security valuation. Investments are stated at value as of the close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. The Fund uses a three-tier hierarchy to prioritize the pricing assumptions, referred to as inputs, used in valuation techniques to measure fair value. Level 1 includes securities valued using quoted prices in active markets for identical securities. Level 2 includes securities valued using significant observable inputs. Observable inputs may include quoted prices for similar securities, interest rates, prepayment speeds and credit risk. Prices for securities valued using these inputs are received from independent pricing vendors and brokers and are based on an evaluation of the inputs described. Level 3 includes securities valued using significant unobservable inputs when market prices are not readily available or reliable, including the Fund's own assumptions in determining the fair value of investments. Factors used in determining value may include market or issuer specific events, changes in interest rates and credit quality. 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 values by input classification of the Fund's investments as of July 31, 2011, by major security category or type:

	TOTAL MARKET VALUE AT 7-31-11	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Preferred Securities				
Consumer Discretionary	\$44,579,926	\$44,579,926	—	—
Consumer Staples	14,670,000	—	\$14,670,000	—
Energy	34,493,578	34,493,578	—	—
Financials	314,048,799	314,047,347	1,452	—
Telecommunication Services	45,592,684	45,592,684	—	—
Utilities	143,370,319	131,059,931	12,310,388	—
Capital Preferred Securities				
Utilities	13,870,758	—	13,870,758	—
Common Stocks				
Telecommunication Services	5,805,204	5,805,204	—	—
Utilities	9,313,005	9,313,005	—	—
Corporate Bonds				
Energy	9,811,500	—	9,811,500	—
Short-Term Investments	12,000,000	—	12,000,000	—
Total Investments in Securities	\$647,555,773	\$584,891,675	\$62,664,098	—

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. During the year ended July 31, 2011, there were no significant transfers in or out of Level 1 or Level 2 assets.

In order to value the securities, the Fund uses the following valuation techniques. Equity securities, including exchange-traded funds, held by the Fund are valued at the last sale price or official closing price on the principal securities exchange on which they trade. In the event there were no sales during the day or closing prices are not available, then securities are valued using the last quoted bid or evaluated price. 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, taking 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. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rates supplied by an independent pricing service. Certain 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. Certain short-term securities are valued at amortized cost.

Other portfolio securities and assets, where market quotations are not readily available, are valued at fair value, as determined in good faith by the Fund's Pricing Committee, following procedures established 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. Significant market events that affect the values of non-U.S. securities may occur between the time when the valuation of the securities is generally determined and the close of the NYSE. During significant market events, these securities will be valued at fair value, as determined in good faith, following procedures established by the Board of Trustees. The Fund may use a fair valuation model to value non-U.S. securities in order to adjust for events which may occur between the close of foreign exchanges and the close of the NYSE.

New accounting pronouncement. In May 2011, Accounting Standards Update 2011-04 (ASU 2011-04), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, was issued and is effective during interim and annual periods beginning after December 15, 2011. ASU 2011-04 amends Financial Accounting Standards Board (FASB) Topic 820, *Fair Value Measurement*. The amendments are the result of the work by the FASB and the International Accounting Standards Board to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. Management is currently evaluating the application of ASU 2011-04 and its impact, if any, on the Fund's financial statements.

Repurchase agreements. The Fund may enter into repurchase agreements. When the Fund enters into a repurchase agreement, it receives collateral which is held in a segregated account by the Fund's custodian. The collateral amount is marked-to-market and monitored on a daily basis to ensure that the collateral held is in an amount not less than the principal amount of the repurchase agreement plus any accrued interest. In the event of a default by the counterparty, realization of the collateral proceeds could be delayed, during which time the collateral value may decline.

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. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation. Dividend income is recorded on the ex-date, except for dividends of foreign securities where the dividend may not be known until after the ex-date. In those cases, dividend income is recorded when the Fund becomes aware of the dividends. Interest income includes coupon interest and amortization/accretion of premiums/discounts on debt securities. Debt obligations may be placed in a non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful.

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 attributable to an individual fund. Expenses that are not readily attributable to a specific fund are allocated among all funds in an equitable manner, taking into consideration, among other things, the nature and type of expense and the fund's relative assets. 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 intends to continue to qualify 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 a capital loss carryforward of \$54,282,371 available to offset future net realized capital gains as of July 31, 2011. The loss carryforward expires as follows: July 31, 2017 — \$47,190,246 and July 31, 2018 — \$7,092,125.

Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required

to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

As of July 31, 2011, the Fund had no uncertain tax positions that would require financial statement recognition, derecognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

Distribution of income and gains. Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-date. The Fund generally declares and pays dividends monthly and capital gain distributions, if any, annually. The tax character of distributions for the years ended July 31, 2011 and July 31, 2010 was as follows:

	JULY 31, 2011	JULY 31, 2010
Ordinary Income	\$32,535,988	\$31,519,239

As of July 31, 2011, the component of distributable earnings on a tax basis included \$2,113,927 of undistributed ordinary income.

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. Material 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, if any, will reverse in a subsequent period. Book-tax differences are primarily attributable to derivative transactions, amortization and accretion on debt securities, and investments in real estate investment trust.

Statement of cash flows. Information on financial transactions that have been settled through the receipt and disbursement of cash is presented in the Statement of cash flows. The cash amount shown in the Statement of cash flows 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 — Derivative instruments

The Fund may invest in derivatives in order to meet its investment objectives. The use of derivatives may involve risks different from, or potentially greater than, the risks associated with investing directly in securities. Specifically, derivatives expose the Fund to the risk that the counterparty to an over-the-counter (OTC) derivatives contract will be unable or unwilling to make timely settlement payments or otherwise honor its obligations. OTC derivatives transactions typically can only be closed out with the other party to the transaction. If the counterparty defaults, the Fund will have contractual remedies, but there is no assurance that the counterparty will meet its contractual obligations or that the Fund will succeed in enforcing them.

Interest rate swaps. Interest rate swaps represent an agreement between a Fund and counterparty to exchange cash flows based on the difference between two interest rates applied to a notional amount. 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 interest receivable or payable under the swap contracts on a periodic basis. Upfront payments made/received by the Fund are amortized/accreted for financial reporting purposes, with the unamortized/unaccreted portion included in the Statement of assets and liabilities. Swaps are marked-to-market daily based upon values from third

party vendors or broker quotations, and the change in value is recorded as unrealized appreciation/depreciation of swap contracts. A termination payment by the counterparty or the Fund is recorded as realized gain or loss, as well as the net periodic payments received or paid by a Fund.

Entering into swap agreements involves, to varying degrees, elements of credit, market and documentation risk that may amount to values that are 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 the swap, that a counterparty may default on its obligation or delay payment under the swap terms. The counterparty may disagree or contest the terms of the swap. Market risks may also accompany the swap, including interest rate risk. The Fund may also suffer losses if it is unable to terminate or assign outstanding swaps or reduce its exposure through offsetting transactions.

There were no open interest rate swaps at July 31, 2011.

Effect of derivative instruments on the Statement of operations

The table below summarizes the net realized gain (loss) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the year ended July 31, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	SWAP CONTRACTS
Interest rate contracts	Net realized loss	(\$2,312,932)

The table below summarizes the net change in unrealized appreciation (depreciation) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the year ended July 31, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	SWAP CONTRACTS
Interest rate contracts	Change in unrealized appreciation (depreciation)	\$2,288,123

Note 4 — Guarantees and indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liabilities 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. The risk of material loss from such claims is considered remote.

Note 5 — Fees and transactions with affiliates

John Hancock Advisers, LLC (the Adviser) serves as investment adviser for the Fund. The Adviser is an indirect, wholly owned subsidiary of Manulife Financial Corporation (MFC).

Management fee. The Fund has an investment management agreement with the Adviser under which the Fund pays a daily management fee to the Adviser equivalent, on an annual basis, to 0.75% of the Fund's average daily managed assets including any assets attributable to the Committed Facility Agreement (see Note 8) (collectively, managed assets). The Adviser has a subadvisory agreement with John Hancock Asset Management a division of Manulife Asset Management (US) LLC (formerly MFC Global Investment Management (U.S.), LLC), an indirectly owned subsidiary of MFC and an affiliate of the Adviser. The Fund is not responsible for payment of the subadvisory fees.

At inception of the Fund, the Adviser contractually agreed to waive a portion of its advisory fee. The Adviser agreed that, until the fifth anniversary of the investment advisory agreement, the Adviser would limit its advisory fee to 0.55% of average daily managed assets, in the sixth year to 0.60% of average daily managed assets, in the seventh year to 0.65% of average daily managed assets, and in the eighth year to 0.70% of average daily managed assets. After the eighth year, the Adviser would no longer waive a portion of its advisory fee. Effective November 29, 2010, the limitation expired. Accordingly, the expense reductions for the year ended July 31, 2011 amounted to \$104,884.

The investment management fees incurred for the year ended July 31, 2011 were equivalent to an annual net effective rate of 0.73% of the Fund's average daily managed assets.

Accounting and legal services. Pursuant to a service agreement, the Fund reimburses the Adviser for all expenses associated with providing the administrative, financial, legal, accounting and recordkeeping services of the Fund, including the preparation of all tax returns, periodic reports to shareholders and regulatory reports, among other services. These accounting and legal services fees incurred for the year ended July 31, 2011 amounted to an annual rate of 0.01% of the Fund's average daily managed assets.

Trustee expenses. The Fund compensates each Trustee who is not an employee of the Adviser or its affiliates. These Trustees may, for tax purposes, elect to defer receipt of this compensation under the John Hancock Group of Funds Deferred Compensation Plan (the Plan). Deferred amounts are invested in various John Hancock funds and remain in the funds until distributed in accordance with the Plan. The investment of deferred amounts and the offsetting liability are included within Other receivables and prepaid expenses and Payable to affiliates — Trustees' fees, respectively, in the accompanying Statement of assets and liabilities.

Note 6 — Fund share transactions

The Fund is authorized to issue an unlimited number of common shares with no par value. There were no share transactions for the years ended July 31, 2011 and July 31, 2010.

Note 7 — Leverage risk

The Fund utilizes a Committed Facility Agreement (CFA) to increase its assets available for investment. When the Fund leverages its assets, common shareholders bear the fees associated with the facility and have the potential to benefit or be disadvantaged from the use of leverage. The Adviser's fee is also increased in dollar terms from the use of leverage. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Fund's assets. Leverage creates risks that 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
- 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, returns would be lower if the cost of the leverage exceeds the income or capital appreciation derived.

In addition to the risks created by the Fund's use of leverage, the Fund is subject to the risk that it would be unable to timely, or at all, obtain replacement financing if the CFA is terminated. Were this to happen, the Fund would be required to de-leverage, selling securities at a potentially inopportune time and incurring tax consequences. Further, the Fund's ability to generate income from the use of leverage would be adversely affected.

Note 8 — Committed facility agreement

The Fund has entered into the CFA with a subsidiary of BNP Paribas (BNP) that allows it to borrow up to \$231 million and to invest the borrowings in accordance with its investment practices. Prior to April 29, 2011, the Fund could borrow up to \$208 million under the CFA.

Borrowings under the CFA are secured by the assets of the Fund as disclosed in the Fund's investments. Interest charged is at the rate of one month LIBOR (reset daily) plus 0.70% and is payable monthly. Prior to April 29, 2011, the interest rate was one-month LIBOR (reset daily) plus 0.85%. The Fund also pays a commitment fee of 0.60% per annum on the unused portion of the facility. The commitment fee for the year ended July 31, 2011 totaled \$14,943 and is included in Interest expense in the Statement of operations. As of July 31, 2011, the Fund had borrowings of \$222,300,000 at an interest rate of 0.89%, which are reflected in the CFA payable on the Statement of assets and liabilities. During the year ended July 31, 2011, the average borrowing under the CFA and the effective average interest rate were \$211,466,849 and 1.05%, respectively.

The Fund may terminate the CFA with 90 days' notice and, if the Board of Trustees determines that the elimination of all indebtedness leveraging the Fund's investments is in the best interests of the Fund's shareholders, the Fund may terminate the agreement with 30 days' notice. In addition, if certain asset coverage and collateral requirements, minimum net assets or other covenants are not met, the CFA could be deemed in default and result in termination. Absent a default or facility termination event, BNP is required to provide the Fund with 270 days' notice prior to terminating or amending the CFA.

The Fund has an agreement with BNP that allows BNP to borrow a portion of the pledged collateral (Lent Securities) in an amount not to exceed the lesser of: (i) outstanding borrowings owed by the Fund to BNP and (ii) thirty-three and one-third percent of the Fund's total assets. The Fund can designate any security within the pledged collateral as ineligible to be a Lent Security and can recall any of the Lent Securities. The Fund also has the right to apply and set-off an amount equal to one-hundred percent (100%) of the then-current fair market value of such Lent Securities against the current borrowings under the CFA in the event that BNP fails to timely return the Lent Securities and in certain other circumstances. In such circumstances, however, the Fund may not be able to obtain replacement financing required to purchase replacement securities and, consequently, the Fund's income generating potential may decrease. Even if the Fund is able to obtain replacement financing, it might not be able to purchase replacement securities at favorable prices. Income earned from Lent Securities is recorded as a component of interest income on the Statement of operations. During the year ended July 31, 2011, the Fund recorded \$72,568 in income on Lent Securities.

Note 9 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities, aggregated \$130,453,625 and \$114,439,225, respectively, for the year ended July 31, 2011.

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 II (the "Fund") at July 31, 2011, and the results of its operations, the changes in its net assets, its cash flows 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 Fund's 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, 2011 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.

PricewaterhouseCoopers LLP
Boston, Massachusetts
September 23, 2011

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, 2011.

With respect to the ordinary dividends paid by the Fund for the fiscal year ended July 31, 2011, the Fund designates the maximum amount allowable 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 2011.

Shareholders will be mailed a 2011 Form 1099-DIV in January 2012. This Form will reflect the total of all distributions for calendar year 2011.

Additional information

Investment objective and policy

The Fund's primary investment objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary investment objective is to provide growth of capital to the extent consistent with its primary investment 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 80% of its assets (net assets plus borrowings for investment purposes) in preferred stocks and other preferred securities, including convertible preferred securities. In addition, the Fund invests 25% or more of its total assets in the industries comprising the utilities sector, and at least 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 or in unrated securities determined by the Adviser to be of comparable credit quality.

Effective March 9, 2011, the Board of Trustees amended the Fund's investment policy regarding the use of reverse repurchase agreement transactions. The new policy provides the following:

Reverse Repurchase Agreements. The Fund may engage in reverse repurchase agreement transactions to the extent permitted under the Investment Company Act of 1940, as amended (the "1940 Act"), and related guidance of the Securities and Exchange Commission (the "SEC") and its staff. The Fund intends to use reverse repurchase agreements to obtain investment leverage either alone and/or in combination with other forms of investment leverage. The Fund may also use reverse repurchase agreement transactions for temporary or emergency purposes. In a reverse repurchase agreement transaction, the Fund temporarily transfers possession of a portfolio instrument to another party in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time and price, which reflects an interest payment. The value of the portfolio securities transferred may substantially exceed the purchase price received by the Fund under the reverse repurchase agreement transaction and, during the life of the reverse repurchase agreement transaction, the Fund may be required to transfer additional securities if the market value of those securities initially transferred declines. In engaging in a reverse repurchase transaction, the Fund may transfer ("sell") any of its portfolio securities to a broker-dealer, bank or another financial institution counterparty as determined by the Adviser to be appropriate. In accordance with guidance from the SEC and its staff from time to time in effect, the Fund will earmark or segregate liquid assets equal to repayment obligations under the reverse repurchase agreements. When the Fund enters into a reverse repurchase agreement transaction, any fluctuations in the market value of either the securities transferred to another party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets. As a result, such transactions may increase fluctuations in the market value of the Fund's assets.

Reverse Repurchase Agreement Risks. Reverse repurchase agreement transactions involve the risk that the market value of the securities that the Fund is obligated to repurchase under such agreements may decline below the repurchase price. Any fluctuations in the market value of either the securities transferred to the other party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets, thereby potentially increasing fluctuations in the market value of the Fund's assets. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of proceeds received under the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In addition, reverse repurchase agreement transactions are techniques involving leverage, and accordingly, segregation

requirements apply. To the extent that the amount of cash and liquid securities required to be segregated increases, the Fund may be required to sell portfolio securities at prices that may be disadvantageous to the Fund.

Dividends and distributions

During the year ended July 31, 2011, dividends from net investment income totaling \$1.5360 per share were paid to shareholders. The dates of payments and amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND
August 31, 2010	\$0.1240
September 30, 2010	0.1240
October 29, 2010	0.1240
November 30, 2010	0.1240
December 31, 2010	0.1240
January 31, 2011	0.1240
February 28, 2011	0.1240
March 31, 2011	0.1240
April 29, 2011	0.1240
May 31, 2011	0.1400
June 30, 2011	0.1400
July 29, 2011	0.1400
Total	\$1.5360

Dividend reinvestment plan

The Board of Trustees approved certain amendments to the Fund's Dividend Reinvestment Plan. The Dividend Reinvestment Plan that is in effect as of July 1, 2011 is described below.

Pursuant to the Fund's Dividend Reinvestment Plan (the Plan), distributions of dividends and capital gains are automatically reinvested in common shares of the Fund by The Bank of New York Mellon (the Plan Agent). Every shareholder holding at least one full share of the Fund is entitled to participate in the Plan. In addition, every shareholder who became a shareholder of the Fund after June 30, 2011 and holds at least one full share of the Fund will be automatically enrolled in the Plan. Shareholders who do not participate in the Plan will receive all distributions in cash.

If the Fund declares a dividend or distribution payable either in cash or in common shares of the Fund and the market price of shares on the payment date for the distribution or dividend equals or exceeds the Fund's net asset value per share (NAV), the Fund will issue common shares to participants at a value equal to the higher of NAV or 95% of the market price. The number of additional shares to be credited to each participant's account will be determined by dividing the dollar amount of the distribution or dividend by the higher of NAV or 95% of the market price. If the market price is lower than NAV, or if dividends or distributions are payable only in cash, then participants will receive shares purchased by the Plan Agent on participants' behalf on the New York Stock Exchange (the NYSE) or otherwise on the open market. If the market price exceeds NAV before the Plan Agent has completed its purchases, the average per share purchase price may exceed NAV, resulting in fewer shares being acquired than if the Fund had issued new shares.

There are no brokerage charges with respect to common shares issued directly by the Fund. However, whenever shares are purchased or sold on the NYSE or otherwise on the open market, each participant will pay a pro rata portion of brokerage trading fees, currently \$0.05 per share purchased or sold. Brokerage trading fees will be deducted from amounts to be invested.

The reinvestment of dividends and net capital gains distributions does not relieve participants of any income tax that may be payable on such dividends or distributions.

Shareholders participating in the Plan may buy additional shares of the Fund through the Plan at any time in amounts of at least \$50 per investment, up to a maximum of \$10,000, with a total calendar year limit of \$100,000. Shareholders will be charged a \$5 transaction fee plus \$0.05 per share brokerage trading fee for each order. Purchases of additional shares of the Fund will be made on the open market. Shareholders who elect to utilize monthly electronic fund transfers to buy additional shares of the Fund will be charged a \$2 transaction fee plus \$0.05 per share brokerage trading fee for each automatic purchase. Shareholders can also sell Fund shares held in the Plan account at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/equityaccess. The Plan Agent will mail a check to you (less applicable brokerage trading fees) on settlement date, which is three business days after your shares have been sold. If you choose to sell your shares through your stockbroker, you will need to request that the Plan Agent electronically transfer your shares to your stockbroker through the Direct Registration System.

Shareholders participating 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.bnymellon.com/shareowner/equityaccess. Such termination will be effective immediately if the notice is received by the Plan Agent prior to any dividend or distribution record date; otherwise, such termination will be effective on the first trading day after the payment date for such dividend or distribution, with respect to any subsequent dividend or distribution. If you withdraw, your shares will be credited to your account; or, if you wish, the Plan Agent will sell your full and fractional shares and send you the proceeds, less a transaction fee of \$5.00 and less brokerage trading fees of \$0.05 per share. If a shareholder does not maintain at least one whole share of common stock in the Plan account, the Plan Agent may terminate such shareholder's participation in the Plan after written notice. Upon termination, shareholders will be sent a check for the cash value of any fractional share in the Plan account, less any applicable broker commissions and taxes.

Shareholders who hold at least one full share of the Fund may join the Plan by notifying the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/equityaccess. If received in proper form by the Plan Agent before the record date of a dividend, the election will be effective with respect to all dividends paid after such record date. If you wish to participate in the Plan and your shares are held in the name of a brokerage firm, bank or other nominee, please contact your nominee to see if it will participate in the Plan for you. If you wish to participate in the Plan, but your brokerage firm, bank or other nominee is unable to participate on your behalf, you will need to request that your shares be re-registered in your own name, or you will not be able to participate. The Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by you as representing the total amount registered in your name and held for your account by your nominee.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund and the Plan Agent reserve the right to amend or terminate the Plan. Participants generally will receive written notice at least 90 days before the effective date of any amendment. In the case of termination, participants will receive written notice at least 90 days before the record date for the payment of any dividend or distribution by the Fund.

All correspondence or additional information about the Plan should be directed to The Bank of New York Mellon, c/o BNY Mellon Shareowner Services, c/o Mellon Investor Services, P.O. Box 358035, Pittsburgh, PA 15252-8035 (Telephone: 1-800-852-0218 (within the U.S. and Canada), 1-201-680-6578 (International Telephone Inquiries), and 1-800-231-5469 (For the Hearing Impaired (TDD))).

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

The Board of Trustees (the Board, the members of which are referred to as Trustees) of John Hancock Preferred Income Fund II (the Fund) met in-person on May 1–3 and June 5–7, 2011 to consider the approval of the Fund's investment advisory agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Adviser), the Fund's investment adviser. The Board also considered the approval of the investment subadvisory agreement (the Subadvisory Agreement) among the Adviser, Manulife Asset Management (US) LLC (the Subadviser) and the Fund. The Advisory Agreement and the Subadvisory Agreement are referred to as the Agreements.

Activities and composition of the board

The Board consists of eleven individuals, nine of whom are Independent Trustees. Independent Trustees are generally those individuals who are not employed by or have any significant business or professional relationship with the Adviser or the Subadviser. The Trustees are responsible for the oversight of operations of the Fund and perform various duties required of directors of investment companies by the Investment Company Act of 1940, as amended (the 1940 Act). The Independent Trustees have hired independent legal counsel to assist them in connection with their duties. The Board has appointed an Independent Trustee as Chairperson. The Board has established four standing committees that are composed entirely of Independent Trustees: the Audit Committee; the Compliance Committee; the Nominating, Governance and Administration Committee; and the Contracts/Operations Committee. Additionally, Investment Performance Committee A is a standing committee of the Board that is composed of Independent Trustees and one Trustee who is affiliated with the Adviser. Investment Performance Committee A oversees and monitors matters relating to the investment performance of the Fund. The Board has also designated an Independent Trustee as Vice Chairperson to serve in the absence of the Chairperson. The Board also designates working groups or ad hoc committees as it deems appropriate.

The approval process

Under the 1940 Act, the Board is required to consider the continuation of the Agreements each year. Throughout the year, the Board, acting directly and through its committees, regularly reviews and assesses the quality of the services that the Fund receives under these Agreements. The Board reviews reports of the Adviser at least quarterly, which include Fund performance reports and compliance reports. In addition, the Board meets with portfolio managers and senior investment officers at various times throughout the year. The Board considers at each of its meetings factors that are relevant to its annual consideration of the renewal of the Agreements, including the services and support provided by the Adviser and Subadviser to the Fund and its shareholders.

Prior to the May 1–3, 2011 meeting, the Board requested and received materials specifically relating to the Agreements. The materials provided in connection with the May meeting included information compiled and prepared by Morningstar, Inc. (Morningstar) on Fund fees and expenses, and the investment performance of the Fund. This Fund information is assembled in a format that permits comparison with similar information from a Peer Group, as determined by Morningstar, and with the Fund's benchmark index. The Peer Group represents funds that invest similarly to the way the Fund invests and funds of similar size, excluding passively managed funds and fund-of-funds. The Fund's benchmark index is an unmanaged index of securities that is provided as a basis for comparison with the Fund's performance. Other material provided for the Fund review included (a) information on the profitability of the Agreements to the Adviser and a discussion of any additional benefits to the Adviser or Subadviser or their affiliates that result from being the Adviser or Subadviser to the Fund; (b) a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients, such as institutional clients and other investment companies, having similar investment mandates, as well as the performance of those other clients and a comparison of the services provided to those other

clients and the services provided to the Fund; (c) the impact of economies of scale; (d) a summary of aggregate amounts paid by the Fund to the Adviser; and (e) sales and redemption data regarding the Fund's shares.

At an in-person meeting held on May 1–3, 2011, the Board reviewed materials relevant to its consideration of the Agreements. As a result of the discussions that occurred during the May 1–3, 2011 meeting, the Board asked the Adviser for additional information on certain matters. The Adviser provided the additional information and the Board also considered this information as part of its consideration of the Agreements.

At an in-person meeting held on June 5–7, 2011, the Board, including the Independent Trustees, formally considered the continuation of the Advisory Agreement between the Adviser and the Fund and the Subadvisory Agreement among the Fund, the Adviser and the Subadviser, each for an additional one-year term. The Board considered what it believed were key relevant factors that are described under separate headings presented below.

The Board also considered other matters important to the approval process, such as payments made to and by the Adviser or its affiliates relating to the distribution of Fund shares and other services. The Board reviewed services related to the valuation and pricing of Fund portfolio holdings. Other important matters considered by the Board were the direct and indirect benefits to the Adviser, the Subadviser and their affiliates from their relationship with the Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review.

Nature, extent and quality of services

The Board reviewed the nature, extent and quality of services provided by the Adviser and the Subadviser, including the investment advisory services and the resulting performance of the Fund.

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. It considered the background and experience of senior management and investment professionals responsible for managing the Fund. The Board considered the investment philosophy, research and investment decision-making processes of the Adviser and the Subadviser responsible for the daily investment activities of the Fund, including, among other things, portfolio trading capabilities, use of technology, commitment to compliance and approach to training and retaining portfolio managers and other research, advisory and management personnel.

The Board considered the Subadviser's history and experience providing investment services to the Fund. The Board considered the Adviser's execution of its oversight responsibilities. The Board further considered the culture of compliance, resources dedicated to compliance, compliance programs, record of compliance with applicable laws and regulation, with the Fund's investment policies and restrictions and with the applicable Code of Ethics, and the responsibilities of the Adviser's and Subadviser's compliance departments.

In addition to advisory services, the Board considered the quality of the administrative and non-investment advisory services provided to the Fund by the Adviser under a separate agreement. The Board noted that the Adviser and its affiliates provide the Fund with certain administrative services (in addition to any such services provided to the Fund by third parties) and officers and other personnel as are necessary for the operations of the Fund. The Board reviewed the structure and duties of the Adviser's administration, accounting, legal and compliance departments and considered the Adviser's and its affiliate's policies and procedures for assuring compliance with applicable laws and regulations.

The Board also received information about the nature, extent and quality of services provided by and fee rates charged by the Adviser and Subadviser to their other clients, including other registered investment companies, institutional investors and separate accounts. The Board reviewed a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients having similar investment mandates, the services provided to those other clients as compared to the services provided to the Fund, the performance of those other clients as compared to the performance by the Fund, and other factors relating to those other clients. The Board considered the significant differences between the Adviser's and Subadviser's services to the Fund and the services they provide to other clients. For other clients that are not closed-end funds, the differences in services relate to the more burdensome regulatory and legal obligations of closed-end funds, the enhanced management and oversight arising from the public trading of Fund shares on an exchange and the generally higher turnover of closed-end fund portfolio holdings. When compared to all clients including mutual funds, the Adviser has greater oversight and supervisory responsibility for the Fund and undertakes greater entrepreneurial risk as the sponsor of the Fund.

Fund performance

The Board was provided with reports, independently prepared by Morningstar, which included a comprehensive analysis of the Fund's performance. The Board also examined materials provided by the Fund's portfolio management team discussing Fund performance and the Fund's investment objective, strategies and outlook. The Board also reviewed a narrative and statistical analysis of the Morningstar data that was prepared by the Adviser, which analyzed various factors that may affect the Morningstar rankings. The Board reviewed information regarding the investment performance of the Fund as compared to its Morningstar Peer Group as well as its benchmark index (see chart below). The Board was provided with a description of the methodology used by Morningstar to select the funds in the Peer Group. The Board also considered updated performance information provided by the Adviser at its May and June 2011 meetings. The Board regularly reviews the performance of the Fund throughout the year and attaches more importance to performance over relatively longer periods of time, typically three to five years.

Set forth below is the performance of the Fund (based on net asset value) over certain time periods ended December 31, 2010 and that of its Peer Group and benchmark index over the same periods:

	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Preferred Income Fund II	20.60%	11.18%	6.26%	—
Peer Group Median	21.29%	7.12%	4.14%	—
BofAML Pref Stock Hybrid TR Index	13.97%	5.79%	2.15%	—

The Board noted that, although the Fund had underperformed its Peer Group's median performance over the one-year period, the Fund had outperformed its Peer Group's median performance over all other periods shown. The Board noted that the Fund's performance compared favorably to its benchmark index's performance for all periods shown.

Expenses and fees

The Board, including the Independent Trustees, reviewed the Fund's contractual advisory fee rate payable by the Fund to the Adviser as compared with the other funds in its Peer Group. The Board also received information about the investment subadvisory fee rate payable by the Adviser to the Subadviser for investment subadvisory services. The Board considered the services provided and the fees charged by the Adviser and the Subadviser to other clients with similar investment mandates, including separately managed institutional accounts.

In addition, the Board considered the cost of the services provided to the Fund by the Adviser. The Board received and considered expense information regarding the Fund's various components, including advisory fees, distribution fees and fees other than advisory and distribution fees,

including transfer agent fees, custodian fees, administration 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 considered expense information regarding the Fund's total operating expense ratio (Gross Expense Ratio) and total operating expense ratio after taking any fee limitation arrangement by the Adviser into account and adjusting for interest expense relating to leverage (Net Expense Ratio (Excluding Leverage Expense)). The Gross Expense Ratio is based on common assets and includes interest expense and the Net Expense Ratio is based on common assets but excludes interest expense. The Board considered information comparing the Gross Expense Ratio and Net Expense Ratio (Excluding Leverage Expense) of the Fund to that of the Peer Group median. As part of its analysis, the Board reviewed the Adviser's methodology in allocating its costs to the management of the Fund and the Fund complex.

The Board noted that the Fund's advisory fee ratio was twenty-nine basis points above the Peer Group median advisory fee ratio. The Board noted the following information about the Fund's Gross and Net Expense Ratios contained in the Fund's financial statements in relation with the Fund's Peer Group median provided by Morningstar in April 2011:

	FUND	PEER GROUP MEDIAN
Advisory Fee Ratio	1.13%	0.84%
Gross Expense Ratio	1.89%	1.73%
Net Expense Ratio (Excluding Leverage Expense)	1.20%	1.20%

The Board was aware that the Peer Group includes both unleveraged funds, funds with varying amounts of leverage, and funds that use borrowing and preferred stocks as leverage; that the Peer Group comparison shows advisory fees and expense ratios as percentages of assets attributable to common shares rather than total managed assets; and that the Fund's fees and expenses are higher than funds in the Peer Group with lower levels of leverage or funds that leverage with preferred stocks. The Board also reviewed comparative information which adjusted expenses of the Fund and the Peer Group for the cost of leverage or interest expense, and the Fund compared favorably to peers in this analysis. The Board viewed favorably the Adviser's limitation on the Fund's management fee to the following: 0.65% of managed assets from November 29, 2008 until November 28, 2009 and 0.70% of managed assets from November 29, 2009 until November 28, 2010.

The Board received and reviewed statements relating to the Adviser's financial condition and was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by the Adviser for services under the Advisory Agreement, as well as from other relationships between the Fund and the Adviser and its affiliates. The Board reviewed the Adviser's profitability with respect to the Fund and other funds the Board currently oversees for the year ended December 31, 2010 compared to available aggregate profitability data provided for the year ended December 31, 2009. The Board reviewed the Adviser's profitability with respect to other fund complexes managed by the Adviser and/or its affiliates. The Board reviewed the Adviser's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products.

The Board also considered a comparison of the Adviser's profitability to that of other similar investment advisers whose profitability information is publicly available. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Adviser, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited.

The Board considered the profitability information with respect to the Subadviser, which is affiliated with the Adviser. In addition, as noted above, the Board considered the assumptions and methodology for allocating expenses in the Subadviser's profitability analysis.

Economies of scale

The Board, including the Independent Trustees, considered the extent to which economies of scale might be realized as the assets of the Fund increase. Possible changes in the advisory fee rate or structure in order to enable the Fund to participate in these economies of scale (e.g., through the use of breakpoints in the advisory fee at higher asset levels) are periodically discussed. The Board also considered the Adviser's overall operations and its ongoing investment in its business in order to expand the scale of, and improve the quality of, its operations that benefit the Fund.

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 costs are not specific to individual funds, but rather are incurred across a variety of products and services.

Other benefits to the Adviser and the Subadviser

The Board understands that the Adviser, the Subadviser or their affiliates may derive other ancillary benefits from their relationship with the Fund, both tangible and intangible, such as their ability to leverage investment professionals who manage other portfolios, an increase in their profile in the investment advisory community, and the engagement of their affiliates and/or significant shareholders as service providers to the Fund, including for administrative and distribution services. The Board believes that certain of these benefits are difficult to quantify. The Board also was informed that the Subadviser may use third party research obtained by soft dollars generated by certain mutual fund transactions to assist itself in managing all or a number of its other client accounts.

Board determination

The Board unanimously approved the continuation of the Advisory Agreement between the Adviser and the Fund for an additional one-year term. The Subadvisory Agreement among the Fund, the Adviser and the Subadviser was also approved for an additional one-year term. Based upon its evaluation of relevant factors in their totality, the Board was satisfied that the terms of the Agreements, including the advisory and subadvisory fee rates, were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Agreements, the Board did not identify any single factor or any group of factors as all-important or controlling, but considered all factors together. Different Trustees may have attributed different weights to the various factors considered. The Independent Trustees were also assisted by independent legal counsel in making this determination. The Trustees' conclusions may be based in part on their consideration of these arrangements in prior years and on their on-going regular review of Fund performance and operations throughout the year.

Trustees and Officers

This chart provides information about the Trustees and Officers who oversee your John Hancock fund. Officers elected by the Trustees manage the day-to-day operations of the Fund and execute policies formulated by the Trustees.

Independent Trustees

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Steven R. Pruchansky , Born: 1944	2002	46

Chairman (since January 2011); Chairman and Chief Executive Officer, Greenscapes of Southwest Florida, Inc. (since 2000); Director and President, Greenscapes of Southwest Florida, Inc. (until 2000); Member, Board of Advisors, First American Bank (until 2010); Managing Director, Jon James, LLC (real estate) (since 2000); Director, First Signature Bank & Trust Company (until 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).

James F. Carlin , Born: 1940	2002	46
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Chief Executive Officer, Director and Treasurer, Alpha Analytical Laboratories (environmental, chemical and pharmaceutical analysis) (since 1985); Part Owner and Treasurer, Lawrence Carlin Insurance Agency, Inc. (since 1995); Chairman and Chief Executive Officer, CIMCO, LLC (management/ investments) (since 1987).

William H. Cunningham , Born: 1944	2002	46
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Professor, University of Texas, Austin, Texas (since 1971); former Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Director of the following: LIN Television (since 2009); Lincoln National Corporation (insurance) (Chairman since 2009 and Director since 2006); Resolute Energy Corporation (since 2009); Nanomedical Systems, Inc. (biotechnology company) (Chairman since 2008); Yorktown Technologies, LP (tropical fish) (Chairman since 2007); Greater Austin Crime Commission (since 2001); Southwest Airlines (since 2000); former Director of the following: Introgen (manufacturer of biopharmaceuticals) (until 2008); Hicks Acquisition Company I, Inc. (until 2007); Jefferson-Pilot Corporation (diversified life insurance company) (until 2006); and former Advisory Director, JP Morgan Chase Bank (formerly Texas Commerce Bank–Austin) (until 2009).

Deborah C. Jackson , Born: 1952	2008	46
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President, Cambridge College, Cambridge, Massachusetts (since 2011); Chief Executive Officer, American Red Cross of Massachusetts Bay (2002–May 2011); Board of Directors of Eastern Bank Corporation (since 2001); Board of Directors of Eastern Bank Charitable Foundation (since 2001); Board of Directors of American Student Assistance Corp. (1996–2009); Board of Directors of Boston Stock Exchange (2002–2008); Board of Directors of Harvard Pilgrim Healthcare (health benefits company) (2007–2011).

Charles L. Ladner , ² Born: 1938	2002	46
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Vice Chairman (since March 2011); Chairman and Trustee, Dunwoody Village, Inc. (retirement services) (since 2008); Director, Philadelphia Archdiocesan Educational Fund (since 2009); Senior Vice President and Chief Financial Officer, UGI Corporation (public utility holding company) (retired 1998); Vice President and Director for AmeriGas, Inc. (retired 1998); Director of AmeriGas Partners, L.P. (gas distribution) (until 1997); Director, EnergyNorth, Inc. (until 1995); Director, Parks and History Association (Cooperating Association, National Park Service) (until 2005).

Independent Trustees (continued)

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Stanley Martin,² Born: 1947	2008	46

Senior Vice President/Audit Executive, Federal Home Loan Mortgage Corporation (2004–2006); Executive Vice President/Consultant, HSBC Bank USA (2000–2003); Chief Financial Officer/Executive Vice President, Republic New York Corporation & Republic National Bank of New York (1998–2000); Partner, KPMG LLP (1971–1998).

Dr. John A. Moore,² Born: 1939	2002	46
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President and Chief Executive Officer, Institute for Evaluating Health Risks, (nonprofit institution) (until 2001); Senior Scientist, Sciences International (health research) (until 2003); Former Assistant Administrator & Deputy Administration, Environmental Protection Agency; Principal, Hollyhouse (consulting) (since 2000); Director, CIIT Center for Health Science Research (nonprofit research) (until 2007).

Patti McGill Peterson,² Born: 1943	2002	46
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Presidential Advisor for Global Initiatives, American Council on Education (since 2011); Chairperson of the Board of the Trust (during 2009 and 2010); Principal, PMP Globalinc (consulting) (2007–2011); Senior Associate, Institute for Higher Education Policy (2007–2011); Executive Director, CIES (international education agency) (until 2007); Vice President, Institute of International Education (until 2007); Former President Wells College, St. Lawrence University and the Association of Colleges and Universities of the State of New York. Director of the following: Mutual Fund Directors Forum (since 2011); Niagara Mohawk Power Corporation (until 2003); Security Mutual Life (insurance) (until 1997); ONBANK (until 1993). Trustee of the following: Board of Visitors, The University of Wisconsin, Madison (since 2007); Ford Foundation, International Fellowships Program (until 2007); UNCF, International Development Partnerships (until 2005); Roth Endowment (since 2002); Council for International Educational Exchange (since 2003).

Gregory A. Russo, Born: 1949	2008	46
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Vice Chairman, Risk & Regulatory Matters, KPMG LLP (KPMG) (2002–2006); Vice Chairman, Industrial Markets, KPMG (1998–2002).

Non-Independent Trustees³

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Hugh McHaffie,⁴ Born: 1959	2010	46

Executive Vice President, John Hancock Financial Services (since 2006, including prior positions); President of John Hancock Variable Insurance Trust and John Hancock Funds II (since 2009); Trustee, John Hancock retail funds (since 2010); Chairman and Director, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2010); Senior Vice President, Individual Business Product Management, MetLife, Inc. (1999–2006).

Non-Independent Trustees³ (continued)

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
John G. Vrysen , Born: 1955	2009	46

Senior Vice President, John Hancock Financial Services (since 2006); Director, Executive Vice President and Chief Operating Officer, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2005); Chief Operating Officer, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2007); Chief Operating Officer, John Hancock retail funds (until 2009); Trustee, John Hancock retail funds (since 2009).

Principal officers who are not Trustees

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Officer of the Trust since
Keith F. Hartstein , Born: 1956	2005

President and Chief Executive Officer

Senior Vice President, John Hancock Financial Services (since 2004); Director, President and Chief Executive Officer, John Hancock Advisers, LLC and John Hancock Funds, LLC (since 2005); Director, John Hancock Asset Management a division of Manulife Asset Management (US) LLC (since 2005); Director, John Hancock Investment Management Services, LLC (since 2006); President and Chief Executive Officer, John Hancock retail funds (since 2005); Member, Investment Company Institute Sales Force Marketing Committee (since 2003).

Andrew G. Arnott , Born: 1971	2009
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Senior Vice President and Chief Operating Officer

Senior Vice President, John Hancock Financial Services (since 2009); Executive Vice President, John Hancock Advisers, LLC (since 2005); Executive Vice President, John Hancock Investment Management Services, LLC (since 2006); Executive Vice President, John Hancock Funds, LLC (since 2004); Chief Operating Officer, John Hancock retail funds (since 2009); Senior Vice President, John Hancock retail funds (since 2010); Vice President, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2006); Senior Vice President, Product Management and Development, John Hancock Funds, LLC (until 2009).

Thomas M. Kinzler , Born: 1955	2006
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Secretary and Chief Legal Officer

Vice President, John Hancock Financial Services (since 2006); Secretary and Chief Legal Counsel, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2007); Secretary and Chief Legal Officer, John Hancock retail funds, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2006); Vice President and Associate General Counsel, Massachusetts Mutual Life Insurance Company (1999–2006); Secretary and Chief Legal Counsel, MML Series Investment Fund (2000–2006); Secretary and Chief Legal Counsel, MassMutual Select Funds and MassMutual Premier Funds (2004–2006).

Principal officers who are not Trustees (continued)

Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years	Officer of the Trust since
<p>Francis V. Knox, Jr., Born: 1947</p> <p><i>Chief Compliance Officer</i> Vice President, John Hancock Financial Services (since 2005); Chief Compliance Officer, John Hancock retail funds, John Hancock Funds II, John Hancock Variable Insurance Trust, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2005); Vice President and Chief Compliance Officer, John Hancock Asset Management a division of Manulife Asset Management (US) LLC (2005–2008).</p>	2005
<p>Charles A. Rizzo, Born: 1957</p> <p><i>Chief Financial Officer</i> Vice President, John Hancock Financial Services (since 2008); Senior Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2008); Chief Financial Officer, John Hancock retail funds, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2007); Assistant Treasurer, Goldman Sachs Mutual Fund Complex (2005–2007); Vice President, Goldman Sachs (2005–2007).</p>	2007
<p>Salvatore Schiavone, Born: 1965</p> <p><i>Treasurer</i> Assistant Vice President, John Hancock Financial Services (since 2007); Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds (since 2010); Treasurer, John Hancock closed-end funds (since 2009); Assistant Treasurer, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2010); Assistant Treasurer, John Hancock retail funds, John Hancock Funds II and John Hancock Variable Insurance Trust (2007–2009); Assistant Treasurer, Fidelity Group of Funds (2005–2007); Vice President, Fidelity Management Research Company (2005–2007).</p>	2009

The business address for all Trustees and Officers is 601 Congress Street, Boston, Massachusetts 02210-2805.

¹ Mr. Carlin, Mr. Cunningham and Mr. Russo serve as Trustees for a term expiring in 2014; Ms. Jackson, Mr. McHaffie, Ms. McGill Peterson and Mr. Pruchansky serve as Trustees for a term expiring in 2013; and Mr. Ladner, Mr. Martin, Mr. Moore and Mr. Vrysen serve as Trustees for a term expiring in 2012.

² Member of the Audit Committee.

³ Because Messrs. McHaffie and Vrysen are senior executives or directors with the Adviser and/or its affiliates, each of them is considered an “interested person,” as defined in the Investment Company Act of 1940, of the Fund.

⁴ Mr. McHaffie was appointed by the Board of Trustees effective 8-31-10.

More information

Trustees

Steven R. Pruchansky
Chairman

James F. Carlin
William H. Cunningham
Deborah C. Jackson
Charles L. Ladner*

Vice Chairman

Stanley Martin*
Hugh McHaffie†
Dr. John A. Moore*#
Patti McGill Peterson*
Gregory A. Russo
John G. Vrysent

*Member of the
Audit Committee

†Non-Independent Trustee

#Effective 9-13-11

Officers

Keith F. Hartstein
President and

Chief Executive Officer

Andrew G. Arnott
*Senior Vice President
and Chief Operating Officer*

Thomas M. Kinzler
Secretary and Chief Legal Officer

Francis V. Knox, Jr.
Chief Compliance Officer

Charles A. Rizzo
Chief Financial Officer

Salvatore Schiavone
Treasurer

Investment adviser

John Hancock Advisers, LLC

Subadviser

John Hancock Asset Management
(formerly MFC Global
Investment Management
(U.S.), LLC)

Custodian

State Street Bank and
Trust Company

Transfer agent

Mellon Investor Services

Legal counsel

K&L Gates LLP

Independent registered public accounting firm

PricewaterhouseCoopers LLP

Stock symbol

Listed New York Stock
Exchange: HPF

For shareholder assistance refer to page 31

You can also contact us:

1-800-852-0218
jhffunds.com

Regular mail:
Mellon Investor Services
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310

The Fund's proxy voting policies and procedures, as well as the Fund's proxy voting record for the most recent twelve-month period ended June 30, are available free of charge on the Securities and Exchange Commission (SEC) Web site at www.sec.gov or on our Web site.

The Fund's complete list of portfolio holdings, for the first and third fiscal quarters, is filed with the SEC on Form N-Q. The Fund's Form N-Q is available on our Web site and the SEC's Web site, www.sec.gov, and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 1-800-SEC-0330 to receive information on the operation of the SEC's Public Reference Room.

We make this information on your fund, as well as **monthly portfolio holdings**, and other fund details available on our Web site at www.jhffunds.com or by calling 1-800-852-0218.

The report is certified under the Sarbanes-Oxley Act, which requires closed-end funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

DOMESTIC EQUITY

Balanced Fund
 Classic Value Fund
 Disciplined Value Fund
 Disciplined Value Mid Cap Fund
 Fundamental All Cap Core Fund
 Fundamental Large Cap Core Fund
 Fundamental Large Cap Value Fund
 Large Cap Equity Fund
 Mid Cap Equity Fund
 Rainier Growth Fund
 Small Cap Equity Fund
 Small Cap Intrinsic Value Fund
 Small Company Fund
 Sovereign Investors Fund
 U.S. Core Fund
 U.S. Global Leaders Growth Fund

ASSET ALLOCATION**TARGET RISK**

Lifestyle Aggressive Portfolio
 Lifestyle Balanced Portfolio
 Lifestyle Conservative Portfolio
 Lifestyle Growth Portfolio
 Lifestyle Moderate Portfolio

TARGET DATE

Lifecycle 2045 Portfolio
 Lifecycle 2040 Portfolio
 Lifecycle 2035 Portfolio
 Lifecycle 2030 Portfolio
 Lifecycle 2025 Portfolio
 Lifecycle 2020 Portfolio
 Lifecycle 2015 Portfolio
 Lifecycle 2010 Portfolio

GLOBAL/INTERNATIONAL EQUITY

Emerging Markets Fund
 Global Opportunities Fund
 Global Shareholder Yield Fund
 Greater China Opportunities Fund
 International Allocation Portfolio
 International Core Fund
 International Growth Fund
 International Value Equity Fund

SPECIALTY

Alternative Asset Allocation Fund
 Currency Strategies Fund
 Financial Industries Fund
 Natural Resources Fund
 Regional Bank Fund
 Technical Opportunities Fund

INCOME

Bond Fund
 Floating Rate Income Fund
 Government Income Fund
 High Yield Fund
 Investment Grade Bond Fund
 Strategic Income Fund
 Strategic Income Opportunities Fund

TAX-FREE INCOME

California Tax-Free Income Fund
 High Yield Municipal Bond Fund
 Massachusetts Tax-Free Income Fund
 New York Tax-Free Income Fund
 Tax-Free Bond Fund

MONEY MARKET

Money Market Fund

CLOSED-END

Bank and Thrift Opportunity Fund
 Hedged Equity & Income Fund
 Income Securities Trust
 Investors Trust
 Preferred Income Fund
 Preferred Income Fund II
 Preferred Income Fund III
 Premium Dividend Fund
 Tax-Advantaged Dividend Income Fund
 Tax-Advantaged Global Shareholder Yield Fund

The Fund's investment objectives, risks, charges and expenses are included in the prospectus and should be considered carefully before investing. For a prospectus, call your financial professional, call John Hancock Funds at 1-800-225-5291 or visit the Fund's Web site at www.jhfunds.com. Please read the prospectus carefully before investing or sending money.



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

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