

MUNIHOLDINGS FUND II INC /NJ/

Form N-CSR

March 31, 2004

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES

Investment Company Act file number 811-8215

Name of Fund: MuniHoldings Fund II, Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Terry K. Glenn, President,
MuniHoldings Fund II, Inc., 800 Scudders Mill Road, Plainsboro, NJ,
08536. Mailing address: P.O. Box 9011, Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 07/31/04

Date of reporting period: 08/01/03 - 01/31/04

Item 1 - Report to Shareholders

(BULL LOGO)
Merrill Lynch Investment Managers

www.mlim.ml.com

MuniHoldings Fund II, Inc.

Semi-Annual Report
January 31, 2004

MuniHoldings Fund II, Inc. seeks to provide shareholders with current income exempt from Federal income taxes by investing primarily in a portfolio of long-term, investment grade municipal obligations the interest on which, in the opinion of bond counsel to the issuer, is exempt from Federal income taxes.

This report, including the financial information herein, is transmitted to shareholders of MuniHoldings Fund II, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock and intends to

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remain leveraged by issuing Preferred Stock to provide the Common Stock shareholders with a potentially higher rate of return. Leverage creates risks for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of shares of the Common Stock, and the risk that fluctuations in the short-term dividend rates of the Preferred Stock may affect the yield to Common Stock shareholders. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-MER-FUND (1-800-637-3863); (2) on www.mutualfunds.ml.com; and (3) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

MuniHoldings Fund II, Inc.
Box 9011
Princeton, NJ
08543-9011

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MuniHoldings Fund II, Inc.

The Benefits and Risks of Leveraging

MuniHoldings Fund II, Inc. utilizes leveraging to seek to enhance the yield and net asset value of its Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, the Fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments, net of dividends to Preferred Stock, is paid to Common Stock shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the Fund's Common Stock. However, in order to benefit Common Stock shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Stock shareholders. If either of these conditions change, then the risks of leveraging will begin to outweigh the benefits.

To illustrate these concepts, assume a fund's Common Stock capitalization of \$100 million and the issuance of Preferred Stock for an additional \$50 million, creating a total value of \$150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are approximately 3% and long-term interest rates are approximately 6%, the yield curve has a strongly positive slope. The fund pays dividends on the \$50 million

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of Preferred Stock based on the lower short-term interest rates. At the same time, the fund's total portfolio of \$150 million earns the income based on long-term interest rates. Of course, increases in short-term interest rates would reduce (and even eliminate) the dividends on the Common Stock.

In this case, the dividends paid to Preferred Stock shareholders are significantly lower than the income earned on the fund's long-term investments, and therefore the Common Stock shareholders are the beneficiaries of the incremental yield. However, if short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Stock will be reduced or eliminated completely. At the same time, the market value of the fund's Common Stock (that is, its price as listed on the New York Stock Exchange) may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of the fund's Common Stock may also decline.

As a part of its investment strategy, the Fund may invest in certain securities whose potential income return is inversely related to changes in a floating interest rate ("inverse floaters"). In general, income on inverse floaters will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in inverse floaters may be characterized as derivative securities and may subject the Fund to the risks of reduced or eliminated interest payments and losses of invested principal. In addition, inverse floaters have the effect of providing investment leverage and, as a result, the market value of such securities will generally be more volatile than that of fixed rate, tax-exempt securities. To the extent the Fund invests in inverse floaters, the market value of the Fund's portfolio and the net asset value of the Fund's shares may also be more volatile than if the Fund did not invest in these securities. As of January 31, 2004, the percentage of the Fund's net assets invested in inverse floaters was 5.51%, before the deduction of Preferred Stock.

Swap Agreements

The Fund may also invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

A Letter From the President

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Dear Shareholder

In my 35 years in the asset management business, 2003 was among the more memorable. The year, which opened with geopolitical turmoil, unrelenting economic uncertainty and a dismal continuation of a three-year equity market slump, vigorously reversed course in the months that followed.

As we entered 2004, the equity markets maintained their positive momentum from year-end 2003. For the six-month and 12-month periods ended January 31, 2004, the Standard & Poor's (S&P) 500 Index returned +15.23% and +34.57%, respectively. In the fixed income markets, investors willing to accept the greatest risk were rewarded the most. This trend held true in the municipal bond market, where high yield issues generally outperformed investment grade bonds. For the six-month and 12-month periods ended January 31, 2004, the Lehman Brothers Non-Investment Grade Index of municipal bonds posted respective returns of +9.99% and +15.33%.

The major signposts indicate that we are seeing a shift from economic growth fueled primarily by fiscal and monetary stimulus to a broader-based, self-sustaining economic expansion. Gross domestic product growth, which peaked at an annualized rate of 8.2% in the third quarter of 2003, is estimated at a more sustainable 4% in the fourth quarter. That level of growth is expected to repeat itself in the first quarter of 2004. For its part, the Federal Reserve Board has reiterated its willingness to keep short-term interest rates at current low levels to ensure the economy's strength.

Accompanying the increase in economic activity was an improvement in corporate earnings. By the end of January, 298 of the S&P 500 companies had reported their fourth-quarter results, and 67.4% of those exceeded expectations. In the meantime, the American consumer, who continued to spend despite the faltering economy, may get further incentive from another round of Federal tax refunds in 2004.

At Merrill Lynch Investment Managers, we believe events and efforts of 2003 leave us with a much stronger economy and the recent optimism suggests it is time for investors to consider what can go right in 2004. We encourage you to revisit your portfolio and your asset allocation strategy to ensure you are well positioned to take advantage of the opportunities that lie ahead.

We thank you for trusting Merrill Lynch Investment Managers with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

(Terry K. Glenn)
Terry K. Glenn
President and Director

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

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A Discussion With Your Fund's Portfolio Manager

We continued to focus on increasing the Fund's yield and, to that end, performance benefited most from an overweight position in the high yield portion of the municipal bond market.

Discuss the recent market environment relative to municipal bonds.

Over the past six months, long-term fixed income interest rates generally declined as the U.S. economy gained strength. Gross domestic product growth expanded at an annualized rate of 8.2% in the third quarter of 2003, with fourth-quarter growth estimated at 4.0%. These figures were well above the 1.4% rate of growth registered in the first quarter of 2003. Improving economic conditions benefited equity markets, as the Standard & Poor's 500 Index, a widely recognized measure of U.S. stock market performance, returned +15.23% for the six months ended January 31, 2004. Despite the strong growth, the Federal Reserve Board seemed apt to leave short-term interest rates at their current low levels, citing subdued employment growth and the absence of material inflationary pressures.

While short-term interest rates remained at historic lows, long-term interest rates generally declined over the past six months. At the end of January 2004, long-term U.S. Treasury bond yields stood at 4.96%, having dropped 40 basis points (.40%) from six months earlier. In the tax-exempt bond market, long-term revenue bond yields also fell 40 basis points to 5.02%, as measured by the Bond Buyer Revenue Bond Index. Both 30-year and 10-year Aaa-rated municipal issues--the highest rated--saw their yields decrease approximately 50 basis points during the six-month period ended January 31, 2004, as reported by Municipal Market Data.

Although improving U.S. equity valuations took some attention away from fixed income markets, overall demand for tax-exempt products remained positive. With tax-exempt money market rates at or below 1% and low nominal municipal bond yields in general, many investors have moved increasingly further out on the municipal yield curve to generate the desired level of tax-exempt income. This gravitation toward longer maturities helped support the strong demand and performance exhibited by tax-exempt products during the period.

The municipal bond market's performance also benefited from a notable improvement in supply/demand dynamics. In recent months, the pace of new municipal bond issuance has greatly declined. For the 12 months ended January 31, 2004, municipalities issued more than \$375 billion in new securities, an increase of approximately 5% compared to last year's issuance. Clearly, municipalities viewed the historically low interest rates over the past year as an opportunity to finance existing infrastructure needs and to refinance outstanding, higher-coupon debt. Over the past six months, however, new issuance fell 11.5% compared to the same period a year earlier. The decline was even more pronounced in the last three months, with a decrease of more than 13% compared to the same three months last year. This decline in supply helped strengthen the municipal market's positive technical position and enhanced recent performance. New-issue supply is expected to remain manageable in early 2004 and should help support the tax-exempt bond market's position as an attractive fixed income investment alternative.

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How did the Fund perform during the period in light of the existing market conditions?

For the six-month period ended January 31, 2004, the Common Stock of MuniHoldings Fund II, Inc. had net annualized yields of 7.08% and 6.95%, based on a period-end per share net asset value of \$14.34 and a per share market price of \$14.61, respectively, and \$.512 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +10.47%, based on a change in per share net asset value from \$13.46 to \$14.34, and assuming reinvestment of \$.509 per share ordinary income dividends.

For the six-month period ended January 31, 2004, the Fund's Auction Market Preferred Stock (AMPS) had average yields of .82% for Series A and 1.57% for Series B.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

The Fund's return, based on net asset value, outpaced the +9.69% average return of its comparable Lipper category of General Municipal Debt Funds (Leveraged) for the six-month period ended January 31, 2004. (Funds in this Lipper category invest primarily in municipal debt issues rated in the top four credit-rating categories. These funds can be leveraged via use of debt, preferred equity and/or reverse repurchase agreements.) The Fund's strong relative performance is attributed to our focus on yield and an overweight position in spread product - that is, lower-quality issues that traditionally offer higher yields than higher-quality issues with comparable maturities. Credit spreads contracted significantly in recent months, reflecting investors' increased appetite for higher yields and willingness to assume the associated risk. The Fund's yield and total return benefited as a result.

Our exposure to the high yield sector emphasized corporate-backed municipal debt. Our position in the airline sector, for example, benefited performance significantly as the outlook for an economic recovery and strong third-quarter earnings increased demand for the sector. In addition to airlines, spreads narrowed considerably in other sectors, including convention centers, chemical companies, paper and pulp companies and refineries.

For a description of the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), and assuming reinvestment of dividends, please refer to the Financial Highlights section included in this report. As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment return based on changes in the Fund's net asset value.

What changes were made to the portfolio during the period?

We began reducing the Fund's exposure to spread product about midway

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through the six-month period given the significant outperformance of the high yield sector. We have since shifted to a hold strategy. We have seen considerable demand in the municipal high yield market within the past several months combined with a dearth of new issuance. This has created a strong market from a technical perspective. We anticipate that spreads will continue to narrow until demand for high yield instruments subsides or supply increases. We intend to revisit our strategy and will consider reducing our exposure to spread product toward the end of the first quarter of 2004.

In terms of leverage, the Fund's borrowing costs remained between .75% - 1.60% during the period. These attractive funding levels, in combination with a steep tax-exempt yield curve, generated a significant income benefit to the Fund's Common Stock shareholders. Further declines in the Fund's borrowing costs would require significant easing of monetary policy by the Federal Reserve Board. While such action is not expected, neither is an imminent increase in short-term interest rates. We expect short-term borrowing costs to remain near current attractive levels for the coming months. However, should the spread between short-term and long-term interest rates narrow, the benefits of leverage will decline, and as a result, reduce the yield on the Fund's Common Stock. At the end of the period, the Fund's leverage amount, based on AMPS, was 35.31% of total assets. (For a more complete explanation of the benefits and risks of leveraging, see page 2 of this report to shareholders.)

How would you characterize the portfolio's position at the close of the period?

We believe the Fund is well positioned for a stable-to-rising interest rate environment. In our opinion, the economy is on track for continued growth, which we expect should push interest rates higher over time. Under these conditions, we will continue to focus on maintaining the Fund's competitive yield while seeking to mute net asset value volatility as interest rates move.

As the economy improves and corporate earnings grow, credit spreads should continue to narrow. We will monitor these trends closely to determine the most prudent time to reduce our exposure and take profits from our positions in spread product.

Robert A. DiMella
Vice President and Portfolio Manager

February 13, 2004

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Schedule of Investments

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
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Alabama--2.8%	AAA	Aaa	\$ 4,000	Jefferson County, Alabama, Sewer Revenue Bonds, Series A, due 2/01/2007 (b) (h)
Arizona--3.9%	BBB	Baa1	1,000	Arizona Health Facilities Authority Revenue Bonds (Central Arizona Healthcare West), Series A, 6.625% due 7/01/2020
	NR*	Caa3	2,800	Phoenix, Arizona, IDA, Airport Facility Revenue Refunding Bonds (America West Airlines Inc. Project), AMT, 6.30% due 7/01/2020
	AAA	NR*	585	Pima County, Arizona, IDA, M/F Housing Revenue Bonds (Catalina Village), Series A (f): 6% due 10/20/2031
	AAA	NR*	770	6.05% due 10/20/2041
	NR*	NR*	1,325	Show Low, Arizona, Improvement District No. 5, Special Assessment Revenue Bonds, 6.375% due 1/01/2015
California--22.1%	AAA	Aaa	2,000	Benicia, California, Unified School District, GO, Refunding, Series A, 5.615%** due 8/01/2020 (b)
	BBB	Baa1	5,250	California State, GO, Refunding, 5.375% due 10/01/2020
	BBB-	Baa2	5,200	California State Public Works Board, Lease Revenue Bonds (Department of Corrections), Series C, 5.25% due 6/01/2020
	A-	A2	4,000	Chula Vista, California, IDR, Refunding (San Diego Gas & Electric Co.), AMT, Series A, 6.75% due 3/01/2023
				Golden State Tobacco Securitization Corporation of California Tobacco Settlement Revenue Bonds:
	BBB	Baa2	870	Series A-3, 7.875% due 6/01/2042
	BBB-	Baa2	2,000	Series B, 5.75% due 6/01/2021
	BBB-	Baa2	1,330	Series B, 5.625% due 6/01/2033
	BBB-	Baa2	2,690	Series B, 5.50% due 6/01/2043
				Sacramento County, California, Sanitation District, Authority Revenue Refunding Bonds (e):
	AA	Aa3	1,000	RIB, Series 366, 10.522% due 12/01/2027
	AA	Aa3	2,500	Trust Receipts, Class R, Series A, 10.695% due 12/01/2027
	AAA	Aaa	1,820	San Marino, California, Unified School District, GO, Refunding, Series A, 5.50%** due 7/01/2017
AAA	Aaa	1,945	5.55%** due 7/01/2018	
AAA	Aaa	2,070	5.60%** due 7/01/2019	
AAA	Aaa	5,000	Tracy, California, Area Public Facilities Financing Authority Special Tax Refunding Bonds (Community Facilities District Number 87-1), Series H, 5.875% due 10/01/2019 (d)	
Colorado--1.9%	NR*	NR*	1,890	Elk Valley, Colorado, Public Improvement Revenue Bonds (Public Improvement Fee), Series A, 7.10% due 9/01/2014
	BB+	Ba1	1,110	Northwest Parkway, Colorado, Public Highway Authority Revenue Bonds, First Tier, Sub-Series D, 7.125% due 6/15/2040

Portfolio Abbreviations

To simplify the listings of MuniHoldings Fund II, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list at right.

AMT	Alternative Minimum Tax (subject to)
EDA	Economic Development Authority
GO	General Obligation Bonds
HDA	Housing Development Authority
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family

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PCR Pollution Control Revenue Bonds
RIB Residual Interest Bonds
RITR Residual Interest Trust Receipts

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Schedule of Investments (continued)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
Florida--7.2%	NR*	NR*	\$ 265	Bonnet Creek Resort, Florida, Community Development Special Assessment Revenue Bonds, 7.50% due 5/01/2032
	AA-	A3	5,000	Broward County, Florida, Resource Recovery Revenue Bonds (Wheelabrator South Broward), Series A, 5.375%
	BBB-	Baa1	1,900	Hillsborough County, Florida, IDA, PCR, Refunding (T Company Project), 5.10% due 10/01/2013
	A-	A2	3,490	Orange County, Florida, Health Facilities Authority, Revenue Bonds (Orlando Regional Healthcare), 6% due
Georgia--0.8%	NR*	NR*	1,250	Atlanta, Georgia, Tax Allocation Revenue Bonds (Atlanta Project), 7.90% due 12/01/2024
Idaho--1.2%	BB+	Ba3	2,000	Power County, Idaho, Industrial Development Corporation Waste Disposal Revenue Bonds (FMC Corporation Project) due 8/01/2032
Illinois--1.9%	NR*	NR*	1,000	Chicago, Illinois, Special Assessment Bonds (Lake Shore) 6.75% due 12/01/2032
	AA	Aa2	2,000	Illinois HDA, Homeowner Mortgage Revenue Bonds, AMT, 5.25% due 8/01/2022
Indiana--1.7%	NR*	NR*	2,595	Indiana State Educational Facilities Authority, Revenue Bonds (Saint Joseph's College Project), 7% due 10/01/2019
Kentucky--0.6%	NR*	NR*	1,165	Kenton County, Kentucky, Airport Board, Special Facilities Bonds (Mesaba Aviation Inc. Project), AMT, Series A, 7/01/2019
Louisiana--0.8%	B	NR*	1,150	Hodge, Louisiana, Utility Revenue Refunding Bonds (S Corporation), AMT, 7.45% due 3/01/2024
Maine--2.3%	AA+	Aa1	3,500	Maine State Housing Authority, Mortgage Purchase Revenue Bonds, Series B, 5.30% due 11/15/2023
Maryland--1.5%	NR*	Baa3	1,250	Maryland State Economic Development Corporation, State Revenue Bonds (University of Maryland College Park Project) due 6/01/2027
	NR*	NR*	1,050	Maryland State Energy Financing Administration, Limited Revenue Bonds (Cogeneration--AES Warrior Run), AMT, 9/01/2019
Massachusetts--1.9%				Massachusetts State Development Finance Agency Revenue Bonds (Neville Communities Home), Series A (f):
	AAA	NR*	600	5.75% due 6/20/2022
	AAA	NR*	1,500	6% due 6/20/2044
	BB+	NR*	1,000	Massachusetts State Development Finance Agency, Revenue Bonds

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State	Yield	S&P	Moody's	Face Amount	Description
					Bonds (Eastern Nazarine College), 5.625% due 4/01/2020
Michigan--	6.7%	BBB	Baa2	2,630	Delta County, Michigan, Economic Development Corporation Environmental Improvement Revenue Refunding Bonds (Michigan Westvaco--Escanaba), Series A, 6.25% due 4/15/2027
		BBB-	Baa3	1,100	Flint, Michigan, Hospital Building Authority, Revenue Refunding Bonds (Hurley Medical Center), 6% due 7/01/2020
		B	Ba1	2,000	Michigan State Hospital Finance Authority, Revenue Refunding Bonds (Detroit Medical Center Obligation Group), Series A, 6.25% due 8/15/2018
		AAA	Aaa	5,000	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Project), AMT, Series A, 6.25% due 9/01/2029 (i)
Minnesota--	4.8%	A-	NR*	1,680	Minneapolis, Minnesota, Community Development Agency Revenue Refunding Bonds (Common Bond), Series A, 5.35% due 12/01/2021
		AAA	Aaa	2,870	Rockford, Minnesota, Independent School District Number 1, 5.60% due 2/01/2019
		AAA	Aaa	2,390	Rockford, Minnesota, Independent School District Number 1, 5.60% due 2/01/2020
Mississippi--	2.9%				Mississippi Business Finance Corporation, Mississippi Business Finance Corporation Revenue Refunding (System Energy Resources Inc. Project):
		BBB-	Ba1	2,500	5.875% due 4/01/2022
		BBB-	Ba1	2,050	5.90% due 5/01/2022
Missouri--	2.0%				Fenton, Missouri, Tax Increment Revenue Refunding Bonds (Gravois Bluffs):
		NR*	NR*	995	6.75% due 10/01/2015
		NR*	NR*	1,000	7% due 10/01/2021
		BBB+	Baa1	1,000	Missouri State Development Finance Board, Infrastructure Revenue Refunding Bonds (Branson), Series A, 5.50% due 10/01/2021

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Schedule of Investments (continued)

State	Yield	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
New Jersey--	7.1%	NR*	NR*	\$ 1,000	New Jersey EDA, Retirement Community Revenue Bonds, (Cedar Crest Village Inc. Facility), 7.25% due 11/15/2023
		NR*	NR*	2,000	(Seabrook Village Inc.), 8.125% due 11/15/2023
		B	Caa2	2,000	New Jersey EDA, Special Facility Revenue Bonds (Continental Airlines Inc. Project), AMT, 6.625% due 9/15/2012
					New Jersey Health Care Facilities Financing Authority Revenue Refunding Bonds:
		BB+	NR*	1,250	(Pascack Valley Hospital Association), 6.625% due 11/15/2023
		NR*	Baa1	2,375	(South Jersey Hospital), 6% due 7/01/2026
		BBB	Baa2	2,575	Tobacco Settlement Financing Corporation of New Jersey Revenue Refunding Bonds, 7% due 6/01/2041
New Mexico--	2.3%	BBB-	Baa3	3,675	Farmington, New Mexico, PCR, Refunding (Public Services San Juan Project), Series A, 5.80% due 4/01/2022
New York--	16.5%	NR*	NR*	415	New York City, New York, City IDA, Civic Facility Revenue Refunding Bonds, Series C, 6.80% due 6/01/2028

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	BB+	Ba2	825	New York City, New York, City IDA, Special Facility (British Airways PLC Project), AMT, 7.625% due 12/01
	AAA	Aaa	7,860	New York City, New York, City Municipal Water Finance Water and Sewer System Revenue Bonds, RITR, Series 1 6/15/2026 (c) (e)
	AAA	Aaa	2,550	New York State Dormitory Authority Revenue Bonds (Me Services), Series B (d): 5.75% due 2/15/2010 (h)
	AAA	Aaa	950	5.75% due 2/15/2020
	A+	NR*	4,610	New York State Municipal Bond Bank Agency, Special S Revenue Bonds, Series C, 5.25% due 12/01/2019
	NR*	NR*	55	Suffolk County, New York, IDA, Civic Facility Revenue (Special Needs Facilities Pooled Program), Series D- 7/01/2007
				Tobacco Settlement Financing Corporation of New York Series A-1:
	AA-	A3	1,100	5.50% due 6/01/2014
	AA-	A3	1,100	5.50% due 6/01/2015
	AA-	A3	2,400	5.50% due 6/01/2018
	NR*	NR*	1,575	Westchester County, New York, IDA, Continuing Care R Mortgage Revenue Bonds (Kendal on Hudson Project), S due 1/01/2034
North Carolina--1.4%	BBB	Baa3	2,000	North Carolina Eastern Municipal Power Agency, Power Bonds, Series D, 6.75% due 1/01/2026
Ohio--6.4%	AAA	Aaa	10,000	Ohio State Air Quality Development Authority, Revenue Bonds (Dayton Power & Light Company), Series B, 6.40 8/15/2027 (d)
Oklahoma--0.9%				Tulsa, Oklahoma, Municipal Airport Trust Revenue Ref (AMR Corporation), AMT, Series A:
	B-	Caa2	430	5.80% due 6/01/2035
	B-	Caa2	1,075	5.375% due 12/01/2035
Pennsylvania--4.7%				Pennsylvania Economic Development Financing Authority Facilities Revenue Bonds (National Gypsum Company),
	NR*	NR*	2,750	Series A, 6.25% due 11/01/2027
	NR*	NR*	2,000	Series B, 6.125% due 11/01/2027
	NR*	NR*	540	Philadelphia, Pennsylvania, Authority for IDR, Comme Development, 7.75% due 12/01/2017
	A-	NR*	2,000	Sayre, Pennsylvania, Health Care Facilities Authorit Refunding Bonds (Guthrie Health), Series A, 5.875% d
Rhode Island--1.4%				Rhode Island State Health and Educational Building C Hospital Financing Revenue Bonds (Lifespan Obligatio
	BBB	Baa2	1,000	6.375% due 8/15/2021
	BBB	Baa2	1,165	6.50% due 8/15/2032

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Schedule of Investments (continued)

State	S&P Ratings	Moody's Ratings	Face Amount	Municipal Bonds
South	BBB+	Baa2	\$ 2,080	Medical University, South Carolina, Hospital Authori

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Carolina--4.6%				Hospital Facilities Revenue Refunding Bonds, Series due 8/15/2027
	BBB-	NR*	2,000	South Carolina Jobs, EDA, Economic Development Revenue (Westminster Presbyterian Center), 7.75% due 11/15/2028
	BBB	Baa2	1,700	Tobacco Settlement Revenue Management Authority of South Carolina Tobacco Settlement Revenue Bonds, Series B: 6.375% due 5/15/2028
	BBB	Baa2	1,400	6.375% due 5/15/2030
Tennessee--3.8%	NR*	NR*	2,200	Hardeman County, Tennessee, Correctional Facilities Revenue Bonds, Series B, 7.375% due 8/01/2017
	A-	Baa1	3,450	Shelby County, Tennessee, Health, Educational and Hospital Board, Hospital Revenue Refunding Bonds (Methodist Hospital), 6.50% due 9/01/2026
Texas--11.3%	BBB-	Baa3	2,665	Austin, Texas, Convention Center Revenue Bonds (Convent Enterprises Inc.), First Tier, Series A, 6.70% due 11/01/2029
	BBB	Baa2	1,000	Brazos River Authority, Texas, PCR, Refunding: (TXU Electric Company LLC Project), Series B, 4.50% due 5/01/2029
	BBB	Baa2	1,100	(TXU Energy Company LLC Project), AMT, Series C, 6.00% due 10/01/2038
	A-	A3	2,875	Brazos River, Texas, Harbor Navigation District, Brazos River Environmental Revenue Refunding Bonds (Dow Chemical Company), AMT, Series A-7, 6.625% due 5/15/2033
	BBB	Baa2	2,685	Gulf Coast, Texas, Waste Disposal Authority Revenue Bonds (International Paper Company), AMT, Series A, 6.10% due 11/01/2031
	BBB-	Ba1	2,965	Matagorda County, Texas, Navigation District Number 1 Refunding Bonds (Reliant Energy Inc.), Series C, 8.00% due 11/01/2031
	BB	Ba3	1,100	Port Corpus Christi, Texas, Individual Development Corporation Environmental Facilities Revenue Bonds (Citgo Petroleum Corporation Project), AMT, 8.25% due 11/01/2031
	BBB	Baa2	2,495	Red River Authority, Texas, PCR, Refunding (Celanese Company), Series A, 6.45% due 11/01/2030
Vermont--0.6%	BBB+	NR*	1,000	Vermont Educational and Health Buildings, Financing Revenue Bonds (Developmental and Mental Health), Series A, 6.00% due 6/15/2032
Virginia--16.0%				Chesterfield County, Virginia, IDA, PCR (Virginia Electric Power Company):
	BBB+	A3	425	Series A, 5.875% due 6/01/2017
	BBB+	A3	575	Series B, 5.875% due 6/01/2017
	AAA	Aaa	10,000	Fairfax County, Virginia, EDA, Resource Recovery Revenue Bonds, AMT, Series A, 6.10% due 2/01/2011 (a)
	NR*	Ba1	6,200	Pocahontas Parkway Association, Virginia, Toll Road First Tier, Sub-Series C, 6.25%** due 8/15/2030
	BB	NR*	18,400	Senior-Series B, 5.90%** due 8/15/2030
	BB	NR*	30,000	Senior-Series B, 5.95%** due 8/15/2033
	AAA	Aaa	2,400	Virginia State, HDA, Commonwealth Mortgage Revenue Bonds Sub-Series J-1, 5.20% due 7/01/2019 (d)
	AA+	Aa1	1,095	Virginia State, HDA, Rental Housing Revenue Bonds, Series A, 5.625% due 8/01/2011
	AA+	Aa1	3,200	Virginia State, HDA, Revenue Bonds, AMT, Series D, 6.00% due 11/01/2031
Washington--0.7%	NR*	NR*	1,065	Seattle, Washington, Housing Authority Revenue Bonds (Housing Project), 6.125% due 12/01/2032
Wisconsin--0.9%	BBB+	NR*	1,360	Wisconsin State Health and Educational Facilities Authority Revenue Bonds (Synergyhealth Inc.), 6% due 11/15/2033
Virgin	BBB-	Baa3	3,600	Virgin Islands Government Refinery Facilities, Revenue Bonds, Series A, 6.00% due 11/01/2031

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Islands--2.4%

Bonds (Hovensa Coker Project), AMT, 6.50% due 7/01/2

Total Municipal Bonds (Cost--\$226,647)--148.0%

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Schedule of Investments (concluded)

	Shares Held	Short-Term Securities
	6,512	Merrill Lynch Institutional Tax-Exempt Fund (g)
		Total Short-Term Securities (Cost--\$6,512)--4.1%
		Total Investments (Cost--\$233,159)--152.1%
		Other Assets Less Liabilities--2.5%
		Preferred Stock, at Redemption Value--(54.6%)
		Net Assets Applicable to Common Stock--100.0%

(a)AMBAC Insured.

(b)FGIC Insured.

(c)FSA Insured.

(d)MBIA Insured.

(e)The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at January 31, 2004.

(f)GNMA Collateralized.

(g)Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) are as follows:

	(in Thousands)	
Affiliate	Net Activity	Dividend Income
Merrill Lynch Institutional Tax-Exempt Fund	6,000	\$35

(h)Prerefunded.

(i)XL Capital Insured.

*Not Rated.

**Represents a zero coupon bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.

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See Notes to Financial Statements.

Quality Profile

The quality ratings of securities in the Fund for the six months ended January 31, 2004 were as follows:

S&P Rating/Moody's Rating	Percent of Total Investments
AAA/Aaa	27.5%
AA/Aa	10.2
A/A	10.1
BBB/Baa	29.7
BB/Ba	6.0
B/B	1.9
CCC/Caa	0.9
NR (Not Rated)	11.0
Other*	2.7

*Temporary investments in short-term securities.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Statement of Net Assets

As of January 31, 2004

Assets

Investments, at value (identified cost--\$233,159,020)	
Cash	
Receivables:	
Interest	\$ 4
Securities sold	
Dividends from affiliates	-----

Prepaid expenses

Total assets

Liabilities

Payables:	
Securities purchased	
Investment adviser	
Other affiliates	-----

Accrued expenses

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Total liabilities

Preferred Stock

Preferred Stock, at redemption value, par value \$.10 per share
(1,740 Series A Shares and 1,740 Series B Shares of AMPS* issued
and outstanding at \$25,000 per share liquidation preference)

Net Assets Applicable to Common Stock

Net assets applicable to Common Stock

Analysis of Net Assets Applicable to Common Stock

Common Stock, par value \$.10 per share (11,114,112 shares issued
and outstanding)

Paid-in capital in excess of par

Undistributed investment income--net

\$ 3

Accumulated realized capital losses on investments--net

(19,

Unrealized appreciation on investments--net

9

Total accumulated losses--net

Total--Equivalent to \$14.34 net asset value per share of Common Stock
(market price--\$14.61)

*Auction Market Preferred Stock.

See Notes to Financial Statements.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Statement of Operations

For the Six Months Ended January 31, 2004

Investment Income

Interest

Dividends from affiliates

Total income

Expenses

Investment advisory fees

\$

Commission fees

Accounting services

Professional fees

Transfer agent fees

Printing and shareholder reports

Directors' fees and expenses

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Listing fees
Pricing fees
Custodian fees
Other

Total expenses before reimbursement
Reimbursement of expenses

Total expenses after reimbursement

Investment income--net

Realized & Unrealized Gain on Investments--Net

Realized gain on investments--net
Change in unrealized appreciation on investments--net

Total realized and unrealized gain on investments--net

Dividends to Preferred Stock Shareholders

Investment income--net

Net Increase in Net Assets Resulting from Operations

See Notes to Financial Statements.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Statements of Changes in Net Assets

	For Mont Janu
Increase (Decrease) in Net Assets:	
Operations	
Investment income--net	\$ 6
Realized gain on investments--net	
Change in unrealized appreciation on investments--net	8
Dividends to Preferred Stock shareholders	(

Net increase in net assets resulting from operations	15

Dividends to Common Stock Shareholders	
Investment income--net	(5,

Net decrease in net assets resulting from dividends to Common Stock shareholders	(5,

Common Stock Transactions	

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Value of shares issued to Common Stock shareholders in reinvestment of dividends

Net Assets Applicable to Common Stock

Total increase (decrease) in net assets applicable to Common Stock		10
Beginning of year		149
End of year*		\$ 159
		=====
*Undistributed investment income--net		\$ 3
		=====

See Notes to Financial Statements.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.

	For the Six Months Ended January 31, 2004	2003	For the Year E 2002
--	--	------	------------------------

Increase (Decrease) in Net Asset Value:

Per Share Operating Performance

Net asset value, beginning of period	\$ 13.46	\$ 13.51	\$ 13.42
	-----	-----	-----
Investment income--net	.58++++	1.16++++	1.10
Realized and unrealized gain (loss) on investments--net	.86	(.15)	(.04)
Dividends and distributions to Preferred Stock shareholders:			
Investment income--net	(.05)	(.10)	(.13)
In excess of realized gain on investments--net	--	--	--
	-----	-----	-----
Total from investment operations	1.39	.91	.93
	-----	-----	-----
Less dividends and distributions to Common Stock shareholders:			
Investment income--net	(.51)	(.96)	(.84)
In excess of realized gain on investments--net	--	--	--
	-----	-----	-----
Total dividends and distributions to Common Stock shareholders	(.51)	(.96)	(.84)
	-----	-----	-----
Net asset value, end of period	\$ 14.34	\$ 13.46	\$ 13.51
	=====	=====	=====
Market price per share, end of period	\$ 14.61	\$ 13.16	\$ 12.96
	=====	=====	=====

Total Investment Return***

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Based on market price per share	15.12%+++++	9.21%	12.12%
	=====	=====	=====
Based on net asset value per share	10.47%+++++	7.15%	7.56%
	=====	=====	=====

Ratios Based on Average Net Assets of Common Stock

Total expenses, net of reimbursement**	1.22%*	1.26%	1.29%
	=====	=====	=====
Total expenses**	1.23%*	1.26%	1.29%
	=====	=====	=====
Total investment income--net**	8.16%*	8.48%	8.27%
	=====	=====	=====
Amount of dividends to Preferred Stock shareholders	.67%*	.74%	.95%
	=====	=====	=====
Investment income--net, to Common Stock shareholders	7.49%*	7.74%	7.32%
	=====	=====	=====

Ratios Based on Average Net Assets of Common & Preferred Stock**

Total expenses, net of reimbursement	.78%*	.80%	.81%
	=====	=====	=====
Total expenses	.79%*	.80%	.81%
	=====	=====	=====
Total investment income--net	5.22%*	5.38%	5.19%
	=====	=====	=====

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Financial Highlights (concluded)

	For the Six Months Ended		
	January 31,		For the Year E
The following per share data and ratios have been derived from information provided in the financial statements.	2004	2003	2002

Ratios Based on Average Net Assets of Preferred Stock

Dividends to Preferred Stock shareholders	1.20%*	1.28%	1.60%
	=====	=====	=====

Supplemental Data

Net assets applicable to Common Stock, end of period (in thousands)	\$ 159,367	\$ 149,262	\$ 149,633
	=====	=====	=====
Preferred Stock outstanding, end of period (in thousands)	\$ 87,000	\$ 87,000	\$ 87,000
	=====	=====	=====
Portfolio turnover	13.47%	44.03%	46.31%
	=====	=====	=====

Leverage

Asset coverage per \$1,000	\$ 2,832	\$ 2,716	\$ 2,720
----------------------------	----------	----------	----------

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	=====	=====	=====
Dividends Per Share on Preferred Stock Outstanding			
Series A--Investment income--net	\$ 104	\$ 279	\$ 409
Series B--Investment income--net	\$ 199	\$ 363	\$ 394

*Annualized.

**Do not reflect the effect of dividends to Preferred Stock shareholders.

***Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges. If applicable, the Fund's Investment Adviser waived a portion of its management fees. Without such waiver, the Fund's performance would have been lower.

++Amount is less than \$(.01) per share.

+++Based on average shares outstanding.

+++Certain prior year amounts have been reclassified to conform to current year presentation.

++++Aggregate total investment return.

See Notes to Financial Statements.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Notes to Financial Statements

1. Significant Accounting Policies:

MuniHoldings Fund II, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal, recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MUH. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the last available bid price in the over-the-counter market or on the basis of yield equivalents as obtained by the Fund's pricing service from one or more dealers that make markets in the securities. Financial futures

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contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options written or purchased are valued at the last sale price in the case of exchange-traded options. In the case of options traded in the over-the-counter market, valuation is the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued by quoted fair values received daily by the Fund from the counterparty. Short-term investments with a remaining maturity of sixty days or less are valued at amortized cost, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments--The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

* Financial futures contracts--The Fund may purchase or sell financial futures contracts and options on such futures contracts. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

* Options--The Fund may write covered call options and purchase call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

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Notes to Financial Statements (continued)

Written and purchased options are non-income producing investments.

* Forward interest rate swaps--The Fund may enter into forward interest rate swaps. In a forward interest rate swap, the Fund and the counterparty agree to make periodic net payments on a specified notional contract amount, commencing on a specified future effective date, unless terminated earlier. When the agreement is closed, the Fund records a realized gain or loss in an amount equal to the value of the agreement.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

(e) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

2. Investment Advisory Agreement and Transactions with Affiliates: The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .55% of the Fund's average weekly net assets, including proceeds from the issuance of Preferred Stock. For the six months ended January 31, 2004, FAM reimbursed the Fund in the amount of \$7,995.

For the six months ended January 31, 2004, the Fund reimbursed FAM \$2,549 for certain accounting services.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended January 31, 2004 were \$31,482,312 and \$37,017,576, respectively.

Net realized gains for the six months ended January 31, 2004 and net unrealized gains as of January 31, 2004 were as follows:

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	Realized Gains	Unrealized Gains
Long-term investments	\$ 976,512	\$ 9,184,275
	-----	-----
Total	\$ 976,512	\$ 9,184,275
	=====	=====

As of January 31, 2004, net unrealized appreciation for Federal income tax purposes aggregated \$9,415,786, of which \$14,236,117 related to appreciated securities and \$4,820,331 related to depreciated securities. The aggregate cost of investments at January 31, 2004 for Federal income tax purposes was \$232,927,509.

4. Stock Transactions:

The Fund is authorized to issue 200,000,000 shares of stock, including Preferred Stock, par value \$.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of stock without approval of holders of Common Stock.

Common Stock

Shares issued and outstanding during the six months ended January 31, 2004 and the year ended July 31, 2003 increased by 24,124 and 16,654, respectively, as a result of dividend reinvestment.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Notes to Financial Statements (concluded)

Preferred Stock

Auction Market Preferred Stock are shares of Preferred Stock of the Fund, with a par value of \$.10 per share and a liquidation preference of \$25,000 per share, plus accrued and unpaid dividends, that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods. The yields in effect at January 31, 2004 were as follows: Series A, .80% and Series B, 1.55%.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from .25% to .375%, calculated on the proceeds of each auction. For the six months ended January 31, 2004, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of FAM, earned \$19,341 as commissions.

5. Capital Loss Carryforward:

On July 31, 2003, the Fund had a net capital loss carryforward of \$20,213,383, of which \$7,226,789 expires in 2008, \$12,107,981 expires in 2009, \$689,205 expires in 2010 and \$189,408 expires in 2011. This amount will be available to offset like amounts of any future taxable gains.

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6. Subsequent Event:

The Fund paid a tax-exempt income dividend to holders of Common Stock in the amount of \$.087000 per share on February 26, 2004 to shareholders of record on February 13, 2004.

Proxy Results

During the six-month period ended January 31, 2004, MuniHoldings Fund II, Inc.'s Common Stock shareholders voted on the following proposal. The proposal was approved at a shareholders' meeting on January 30, 2004. A description of the proposal and number of shares voted are as follows:

	Shares Voted For	Shares Withh From Votin
1. To elect the Fund's Directors:		
Terry K. Glenn	10,369,883	411,562
Cynthia A. Montgomery	10,367,383	414,062
Kevin A. Ryan	10,370,383	411,062
Roscoe S. Suddarth	10,367,383	414,062
Edward D. Zinbarg	10,372,883	408,562

During the six-month period ended January 31, 2004, MuniHoldings Fund, II Inc.'s Preferred Stock (Series A & B) shareholders voted on the following proposal. The proposal was approved at a shareholders' meeting on January 30, 2004. A description of the proposal and number of shares voted are as follows:

	Shares Voted For	Shares Withh From Votin
1. To elect the Fund's Board of Directors: Terry K. Glenn, Ronald W. Forbes, Cynthia A. Montgomery, Kevin A. Ryan, Roscoe S. Suddarth, Richard R. West and Edward D. Zinbarg	3,394	1

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Officers and Directors

Terry K. Glenn, President and Director
 Ronald W. Forbes, Director
 Cynthia A. Montgomery, Director
 Kevin A. Ryan, Director
 Roscoe S. Suddarth, Director
 Richard R. West, Director
 Edward D. Zinbarg, Director

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Kenneth A. Jacob, Senior Vice President
John M. Loffredo, Senior Vice President
Robert A. DiMella, Vice President
Donald C. Burke, Vice President and Treasurer
Brian D. Stewart, Secretary

Charles C. Reilly, Director of MuniHoldings Fund II, Inc., has recently retired. The Fund's Board of Directors wishes Mr. Reilly well in his retirement.

Custodian
The Bank of New York
100 Church Street
New York, NY 10286

Transfer Agents

Common Stock:
The Bank of New York
101 Barclay Street
New York, NY 10286

Preferred Stock:
The Bank of New York
101 Barclay Street--7 West
New York, NY 10286

NYSE Symbol
MUH

Dividend Policy

The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Net Assets, which comprises part of the financial information included in this report.

Electronic Delivery

The Fund offers electronic delivery of communications to its

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shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this website <http://www.icsdelivery.com/live> and follow the instructions. When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

MUNIHOLDINGS FUND II, INC., JANUARY 31, 2004

Item 2 - Code of Ethics - Not Applicable to this semi-annual report

Item 3 - Audit Committee Financial Expert - Not Applicable to this semi-annual report

Item 4 - Principal Accountant Fees and Services - Not Applicable to this semi-annual report

Item 5 - Audit Committee of Listed Registrants - Not Applicable to this semi-annual report

Item 6 - Reserved

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Proxy Voting Policies and Procedures

Each Fund's Board of Directors/Trustees has delegated to Merrill Lynch Investment Managers, L.P. and/or Fund Asset Management, L.P. (the "Investment Adviser") authority to vote all proxies relating to the Fund's portfolio securities. The Investment Adviser has adopted policies and procedures ("Proxy Voting Procedures") with respect to the voting of proxies related to the portfolio securities held in the account of one or more of its clients, including a Fund. Pursuant to these Proxy Voting Procedures, the Investment Adviser's primary objective when voting proxies is to make proxy voting decisions solely in the best interests of each Fund and its shareholders, and to act in a manner that the Investment Adviser believes is most likely to enhance the economic value of the securities held by the Fund. The Proxy Voting Procedures are designed to ensure that that the Investment Adviser considers the interests of its clients, including the Funds, and not the interests of the Investment Adviser, when voting proxies and that real (or perceived) material conflicts that may arise between the Investment Adviser's interest and those of the Investment Adviser's clients are properly addressed and resolved.

In order to implement the Proxy Voting Procedures, the Investment Adviser has formed a Proxy Voting Committee (the "Committee"). The Committee is comprised of the Investment Adviser's Chief Investment Officer (the "CIO"), one or more other senior investment professionals appointed by the CIO, portfolio managers and investment analysts appointed by the CIO and any other personnel the CIO deems appropriate. The Committee will also include two non-voting representatives from the Investment Adviser's Legal department appointed by the Investment Adviser's General Counsel.

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The Committee's membership shall be limited to full-time employees of the Investment Adviser. No person with any investment banking, trading, retail brokerage or research responsibilities for the Investment Adviser's affiliates may serve as a member of the Committee or participate in its decision making (except to the extent such person is asked by the Committee to present information to the Committee, on the same basis as other interested knowledgeable parties not affiliated with the Investment Adviser might be asked to do so). The Committee determines how to vote the proxies of all clients, including a Fund, that have delegated proxy voting authority to the Investment Adviser and seeks to ensure that all votes are consistent with the best interests of those clients and are free from unwarranted and inappropriate influences. The Committee establishes general proxy voting policies for the Investment Adviser and is responsible for determining how those policies are applied to specific proxy votes, in light of each issuer's unique structure, management, strategic options and, in certain circumstances, probable economic and other anticipated consequences of alternate actions. In so doing, the Committee may determine to vote a particular proxy in a manner contrary to its generally stated policies. In addition, the Committee will be responsible for ensuring that all reporting and recordkeeping requirements related to proxy voting are fulfilled.

The Committee may determine that the subject matter of a recurring proxy issue is not suitable for general voting policies and requires a case-by-case determination. In such cases, the Committee may elect not to adopt a specific voting policy applicable to that issue. The Investment Adviser believes that certain proxy voting issues require investment analysis - such as approval of mergers and other significant corporate transactions - akin to investment decisions, and are, therefore, not suitable for general guidelines. The Committee may elect to adopt a common position for the Investment Adviser on certain proxy votes that are akin to investment decisions, or determine to permit the portfolio manager to make individual decisions on how best to maximize economic value for a Fund (similar to normal buy/sell investment decisions made by such portfolio managers). While it is expected that the Investment Adviser will generally seek to vote proxies over which the Investment Adviser exercises voting authority in a uniform manner for all the Investment Adviser's clients, the Committee, in conjunction with a Fund's portfolio manager, may determine that the Fund's specific circumstances require that its proxies be voted differently.

To assist the Investment Adviser in voting proxies, the Committee has retained Institutional Shareholder Services ("ISS"). ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to the Investment Adviser by ISS include in-depth research, voting recommendations (although the Investment Adviser is not obligated to follow such recommendations), vote execution, and recordkeeping. ISS will also assist the Fund in fulfilling its reporting and recordkeeping obligations under the Investment Company Act.

The Investment Adviser's Proxy Voting Procedures also address special circumstances that can arise in connection with proxy voting. For instance, under the Proxy Voting Procedures, the Investment Adviser generally will not seek to vote proxies related to portfolio securities that are on loan, although it may do so

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under certain circumstances. In addition, the Investment Adviser will vote proxies related to securities of foreign issuers only on a best efforts basis and may elect not to vote at all in certain countries where the Committee determines that the costs associated with voting generally outweigh the benefits. The Committee may at any time override these general policies if it determines that such action is in the best interests of a Fund.

From time to time, the Investment Adviser may be required to vote proxies in respect of an issuer where an affiliate of the Investment Adviser (each, an "Affiliate"), or a money management or other client of the Investment Adviser (each, a "Client") is involved. The Proxy Voting Procedures and the Investment Adviser's adherence to those procedures are designed to address such conflicts of interest. The Committee intends to strictly adhere to the Proxy Voting Procedures in all proxy matters, including matters involving Affiliates and Clients. If, however, an issue representing a non-routine matter that is material to an Affiliate or a widely known Client is involved such that the Committee does not reasonably believe it is able to follow its guidelines (or if the particular proxy matter is not addressed by the guidelines) and vote impartially, the Committee may, in its discretion for the purposes of ensuring that an independent determination is reached, retain an independent fiduciary to advise the Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients.

In the event that the Committee determines not to retain an independent fiduciary, or it does not follow the advice of such an independent fiduciary, the powers of the Committee shall pass to a subcommittee, appointed by the CIO (with advice from the Secretary of the Committee), consisting solely of Committee members selected by the CIO. The CIO shall appoint to the subcommittee, where appropriate, only persons whose job responsibilities do not include contact with the Client and whose job evaluations would not be affected by the Investment Adviser's relationship with the Client (or failure to retain such relationship). The subcommittee shall determine whether and how to vote all proxies on behalf of the Investment Adviser's clients or, if the proxy matter is, in their judgment, akin to an investment decision, to defer to the applicable portfolio managers, provided that, if the subcommittee determines to alter the Investment Adviser's normal voting guidelines or, on matters where the Investment Adviser's policy is case-by-case, does not follow the voting recommendation of any proxy voting service or other independent fiduciary that may be retained to provide research or advice to the Investment Adviser on that matter, no proxies relating to the Client may be voted unless the Secretary, or in the Secretary's absence, the Assistant Secretary of the Committee concurs that the subcommittee's determination is consistent with the Investment Adviser's fiduciary duties

In addition to the general principles outlined above, the Investment Adviser has adopted voting guidelines with respect to certain recurring proxy issues that are not expected to involve unusual circumstances. These policies are guidelines only, and the Investment Adviser may elect to vote differently from the recommendation set forth in a voting guideline if the Committee determines that it is in a Fund's best interest to do so. In addition, the guidelines may be reviewed at any time upon the request of a Committee member and may be amended or deleted upon the vote of a majority of Committee members present at a Committee meeting at which there is a quorum.

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The Investment Adviser has adopted specific voting guidelines with respect to the following proxy issues:

* Proposals related to the composition of the Board of Directors of issuers other than investment companies. As a general matter, the Committee believes that a company's Board of Directors (rather than shareholders) is most likely to have access to important, nonpublic information regarding a company's business and prospects, and is therefore best-positioned to set corporate policy and oversee management. The Committee, therefore, believes that the foundation of good corporate governance is the election of qualified, independent corporate directors who are likely to diligently represent the interests of shareholders and oversee management of the corporation in a manner that will seek to maximize shareholder value over time. In individual cases, the Committee may look at a nominee's history of representing shareholder interests as a director of other companies or other factors, to the extent the Committee deems relevant.

* Proposals related to the selection of an issuer's independent auditors. As a general matter, the Committee believes that corporate auditors have a responsibility to represent the interests of shareholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Committee will generally defer to a corporation's choice of auditor, in individual cases, the Committee may look at an auditors' history of representing shareholder interests as auditor of other companies, to the extent the Committee deems relevant.

* Proposals related to management compensation and employee benefits. As a general matter, the Committee favors disclosure of an issuer's compensation and benefit policies and opposes excessive compensation, but believes that compensation matters are normally best determined by an issuer's board of directors, rather than shareholders. Proposals to "micro-manage" an issuer's compensation practices or to set arbitrary restrictions on compensation or benefits will, therefore, generally not be supported.

* Proposals related to requests, principally from management, for approval of amendments that would alter an issuer's capital structure. As a general matter, the Committee will support requests that enhance the rights of common shareholders and oppose requests that appear to be unreasonably dilutive.

* Proposals related to requests for approval of amendments to an issuer's charter or by-laws. As a general matter, the Committee opposes poison pill provisions.

* Routine proposals related to requests regarding the formalities of corporate meetings.

* Proposals related to proxy issues associated solely with holdings of investment company shares. As with other types of companies, the Committee believes that a fund's Board of Directors (rather than its shareholders) is best-positioned to set fund policy and oversee management. However, the Committee opposes granting Boards of Directors authority over certain matters, such as changes to a fund's investment objective, that the Investment Company Act envisions will be approved directly by shareholders.

* Proposals related to limiting corporate conduct in some manner that relates to the shareholder's environmental or social concerns.

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The Committee generally believes that annual shareholder meetings are inappropriate forums for discussion of larger social issues, and opposes shareholder resolutions "micromanaging" corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.

Item 8 - Reserved

Item 9 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 10 - Controls and Procedures

10(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

10(b) - There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 11 - Exhibits attached hereto

11(a) - Not Applicable

11(b) - Attached hereto

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

MuniHoldings Fund II, Inc.

By: /s/ Terry K. Glenn
Terry K. Glenn,
President of
MuniHoldings Fund II, Inc.

Date: March 19, 2004

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

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By: /s/ Terry K. Glenn
Terry K. Glenn,
President of
MuniHoldings Fund II, Inc.

Date: March 19, 2004

By: /s/ Donald C. Burke
Donald C. Burke,
Chief Financial Officer of
MuniHoldings Fund II, Inc.

Date: March 19, 2004