

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
September 13, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-17F-2

CERTIFICATE OF ACCOUNTING OF SECURITIES AND SIMILAR INVESTMENTS IN THE  
CUSTODY OF MANAGEMENT INVESTMENT COMPANIES

PURSUANT TO RULE N-17F-2

1. Investment Company Act File Number: 811-08394 Date Examination completed: July 5, 2006

2. State Identification Number:

|    |    |    |             |    |    |
|----|----|----|-------------|----|----|
| AL | AK | AZ | AR          | CA | CO |
| CT | DE | DC | FL          | GA | HI |
| ID | IL | IN | IA          | KS | KY |
| LA | ME | MD | MA          | MI | MN |
| MS | MO | MT | NE          | NV | NH |
| NJ | NM | NY | NC          | ND | OH |
| OK | OR | PA | RI          | SC | SD |
| TN | TX | UT | VT          | VA | WA |
| WV | WI | WY | PUERTO RICO |    |    |

3. Exact name of investment company as specified in registration statement:

TEMPLETON DRAGON FUND, INC.

4. Address of principal executive office: (number, street, city, state, zip code)

500 EAST BROWARD BLVD., SUITE 2100, FORT LAUDERDALE, FL 33394-3091

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of

Franklin Templeton Fund Allocator Series  
Franklin Templeton Variable Insurance Products Trust  
Franklin Global Trust  
Franklin Strategic Series  
Franklin Universal Trust  
Franklin Strategic Mortgage Portfolio  
Franklin Gold and Precious Metals Fund  
Franklin Capital Growth Fund  
Institutional Fiduciary Trust  
Franklin High Income Trust  
Franklin Real Estate Securities Trust  
Franklin Multi-Income Trust  
Franklin Templeton Limited Duration Income Trust

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Templeton Russia and East European Fund, Inc.  
Templeton Emerging Markets Fund  
Templeton Global Income Fund  
Templeton Emerging Markets Income Fund  
Franklin Templeton Money Fund Trust  
Franklin Investors Securities Trust  
Franklin Value Investors Trust  
Templeton Global Investment Trust

and the Board of Directors of

Franklin Federal Money Fund  
Franklin Money Fund  
Franklin Custodian Funds, Inc.  
Templeton Dragon Fund, Inc.  
Templeton Institutional Funds, Inc.

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, about the funds' (hereafter referred to as the "Funds") compliance (see Attachment I) with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of September 30, 2005. Management is responsible for the Funds' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Funds' compliance based on our examination.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence about the Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of September 30, 2005, and with respect to agreement of security purchases and sales, for the period from July 31, 2005 (the date of our last examination), through September 30, 2005:

- o Inspection of the records of Franklin Templeton Investors Services, Inc. as they pertain to the security positions owned by the Funds and held in book entry form.
- o Reconciliation of such security positions to the books and records of the Funds.
- o Agreement of a sample of security purchases and sales since our last report to the books and records of the Funds.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Funds' compliance with specified requirements.

In our opinion, management's assertion that the Funds were in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of September 30, 2005 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees and Board of Directors, management, and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

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/s/PricewaterhouseCoopers LLP  
San Francisco, California  
July 5, 2006

MANAGEMENT STATEMENT REGARDING COMPLIANCE WITH CERTAIN  
PROVISIONS OF THE INVESTMENT COMPANY ACT OF 1940

We, as members of management of the Franklin Templeton Funds indicated in Attachment I (the "Funds"), are responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Funds' compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of September 30, 2005, and for the period from July 31, 2005 through September 30, 2005.

Based on this evaluation, we assert that the Funds were in compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of September 30, 2005, and for the period from July 31, 2005 through September 30, 2005, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter

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GALEN G. VETTER  
CHIEF FINANCIAL OFFICER

6/21/06

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Date

/s/ Jimmy D. Gambill

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JIMMY D. GAMBILL  
SENIOR VICE PRESIDENT AND CHIEF EXECUTIVE  
OFFICER-FINANCE AND ADMINISTRATION

6/26/06

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Date

FUND

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FRANKLIN TEMPLETON FUND ALLOCATOR SERIES:

Franklin Templeton Conservative Target Fund  
Franklin Templeton Moderate Target Fund  
Franklin Templeton Growth Target Fund  
Franklin Templeton Corefolio Allocation Fund  
Franklin Templeton Perspectives Allocation Fund  
Franklin Templeton Founding Funds Allocation Fund

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Strategic Income Securities Fund  
Franklin Small Cap Value Securities Fund  
Franklin Rising Dividends Fund  
Franklin Small-Mid Cap Growth Securities Fund  
(name changed from Franklin Small Cap Fund,  
effective May 1, 2005)  
Templeton Global Asset Allocation Fund  
Templeton Foreign Securities Fund  
Franklin Flex Cap Growth Securities Fund  
Franklin Large Cap Value Securities Fund

FRANKLIN GLOBAL TRUST:

Fiduciary High Income Fund  
Fiduciary Core Fixed Income Fund  
Fiduciary Small Capitalization Equity Fund  
Fiduciary Large Capitalization Growth and Income Fund  
Fiduciary European Smaller Companies Fund  
Fiduciary Core Plus Fixed Income Fund

FRANKLIN STRATEGIC SERIES:

Franklin Aggressive Growth Fund  
Franklin U.S. Long-Short Fund  
Franklin Natural Resources Fund  
Franklin Biotechnology Discovery Fund  
Franklin Blue Chip Fund  
Franklin Global Health Care Fund  
Franklin Global Communications Fund  
Franklin Strategic Income Fund  
Franklin Flex Cap Growth Fund  
Franklin Technology Fund  
Franklin Small Cap Growth Fund II  
Franklin Small-Mid Cap Growth Fund

FRANKLIN UNIVERSAL TRUST

FRANKLIN STRATEGIC MORTGAGE PORTFOLIO  
FRANKLIN GOLD AND PRECIOUS METALS FUND  
FRANKLIN CAPITAL GROWTH FUND

INSTITUTIONAL FIDUCIARY TRUST:

Money Market Portfolio  
Franklin Cash Reserves Fund  
Franklin Structured Large Cap Growth Equity Fund  
Franklin Structured Large Cap Core Equity Fund

FRANKLIN HIGH INCOME TRUST:

Franklin AGE High Income Fund

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FRANKLIN REAL ESTATE SECURITIES TRUST:  
Franklin Real Estate Securities Fund

FRANKLIN MULTI-INCOME TRUST  
FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST  
TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC.  
TEMPLETON EMERGING MARKETS FUND  
TEMPLETON GLOBAL INCOME FUND  
TEMPLETON EMERGING MARKETS INCOME FUND

FRANKLIN TEMPLETON MONEY FUND TRUST:  
Franklin Templeton Money Fund

FRANKLIN INVESTORS SECURITIES TRUST:  
Franklin Floating Rate Daily Access Fund  
Franklin Total Return Fund  
Franklin Limited Maturity U.S. Government Securities Fund  
Franklin Convertible Securities Fund  
Franklin Equity Income Fund  
Franklin Low Duration Total Return Fund  
Franklin Adjustable U.S. Government Securities Fund

FRANKLIN VALUE INVESTORS TRUST:  
Franklin Balance Sheet Investment Fund  
Franklin MicroCap Value Fund  
Franklin Small Cap Value Fund  
Franklin Large Cap Value Fund  
Franklin Mid Cap Value Fund

TEMPLETON GLOBAL INVESTMENT TRUST:  
Templeton Income Fund

FRANKLIN FEDERAL MONEY FUND  
FRANKLIN MONEY FUND

FRANKLIN CUSTODIAN FUNDS, INC.:  
Franklin Growth Fund  
Franklin Utilities Fund  
Franklin DynaTech Fund  
Franklin Income Fund  
Franklin U.S. Government Securities Fund

TEMPLETON DRAGON FUND, INC.

TEMPLETON INSTITUTIONAL FUNDS, INC.:  
Foreign Equity Series