

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
May 14, 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)

One Franklin Parkway San Mateo, CA 94403

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 Floating Rate Trust  
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  
Templeton Russia and East European Fund, Inc.

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Templeton Emerging Markets Fund  
Templeton Global Income Fund  
Templeton Emerging Markets Income Fund  
Templeton Capital Accumulator Fund  
Franklin Templeton Money Fund Trust  
Franklin Investors Securities Trust  
Franklin Value Investors 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 January 31, 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 January 31, 2005, and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- 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 January 31, 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.

/s/PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP

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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 January 30, 2005, and for the periods indicated in Attachment I.

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 January 30, 2005, and for the periods indicated in Attachment I, 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

ATTACHMENT I

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FUND	PERIODS COVERED
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FRANKLIN TEMPLETON FUND ALLOCATOR SERIES:	
Franklin Templeton Conservative Target Fund	December 31, 2004 - January 31, 2005
Franklin Templeton Moderate Target Fund	December 31, 2004 - January 31, 2005
Franklin Templeton Growth Target Fund	December 31, 2004 - January 31, 2005
Franklin Templeton Corefolio Allocation Fund	December 31, 2004 - January 31, 2005
Franklin Templeton Perspectives Allocation Fund	December 31, 2004 - January 31, 2005
Franklin Templeton Founding Funds Allocation Fund	December 31, 2004 - January 31, 2005
FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST	
Franklin Strategic Income Securities Fund	December 31, 2004 - January 31, 2005
Franklin Small Cap Value Securities Fund	December 31, 2004 - January 31, 2005
Franklin Rising Dividends Fund	December 31, 2004 - January 31, 2005
Franklin Small Cap Fund	December 31, 2004 - January 31, 2005
Templeton Global Asset Allocation Fund	December 31, 2004 - January 31, 2005
Templeton Foreign Securities Fund	December 31, 2004 - January 31, 2005
FRANKLIN GLOBAL TRUST:	
Fiduciary High Income Fund	October 31, 2004 - January 31, 2005
Fiduciary Core Fixed Income Fund	October 31, 2004 - January 31, 2005
Fiduciary Small Capitalization Equity Fund	October 31, 2004 - January 31, 2005
Fiduciary Large Capitalization Growth and Income Fund	October 31, 2004 - January 31, 2005
Fiduciary European Smaller Companies Fund	October 31, 2004 - January 31, 2005
Fiduciary Core Plus Fixed Income Fund	October 31, 2004 - January 31, 2005
FRANKLIN STRATEGIC SERIES:	
Franklin Aggressive Growth Fund	October 31, 2004 - January 31, 2005
Franklin U.S. Long- Short Fund	October 31, 2004 - January 31, 2005
Franklin Natural Resources Fund	October 31, 2004 - January 31, 2005
Franklin Biotechnology Discovery Fund	October 31, 2004 - January 31, 2005
Franklin Blue Chip Fund	October 31, 2004 - January 31, 2005
Franklin Global Health Care Fund	October 31, 2004 - January 31, 2005
Franklin Global Communications Fund	October 31, 2004 - January 31, 2005
Franklin Strategic Income Fund	October 31, 2004 - January 31, 2005
Franklin Flex Cap Growth Fund	October 31, 2004 - January 31, 2005
Franklin Technology Fund	October 31, 2004 - January 31, 2005
Franklin Small Cap Growth Fund II	October 31, 2004 - January 31, 2005
Franklin Small-Mid Cap Growth Fund	October 31, 2004 - January 31, 2005
FRANKLIN UNIVERSAL TRUST	October 31, 2004 - January 31, 2005
FRANKLIN STRATEGIC MORTGAGE PORTFOLIO	October 31, 2004 - January 31, 2005
FRANKLIN GOLD AND PRECIOUS METALS FUND	October 31, 2004 - January 31, 2005
FRANKLIN FLOATING RATE TRUST	October 31, 2004 - January 31, 2005
FRANKLIN CAPITAL GROWTH FUND	October 31, 2004 - January 31, 2005
INSTITUTIONAL FIDUCIARY TRUST:	
Money Market Portfolio	October 31, 2004 - January 31, 2005
Franklin Cash Reserves Fund	October 31, 2004 - January 31, 2005
Franklin Structured Large Cap Growth Equity Fund	October 31, 2004 - January 31, 2005
Franklin Structured Large Cap Core Equity Fund	October 31, 2004 - January 31, 2005
FRANKLIN HIGH INCOME TRUST:	
Franklin AGE High Income Fund	October 31, 2004 - January 31, 2005
FRANKLIN REAL ESTATE SECURITIES TRUST:	
Franklin Real Estate Securities Fund	October 31, 2004 - January 31, 2005
FRANKLIN MULTI-INCOME TRUST	October 31, 2004 - January 31, 2005
FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST	October 31, 2004 - January 31, 2005
TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC.	October 31, 2004 - January 31, 2005

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TEMPLETON EMERGING MARKETS FUND	October 31, 2004 - January 31, 2005
TEMPLETON GLOBAL INCOME FUND	October 31, 2004 - January 31, 2005
TEMPLETON EMERGING MARKETS INCOME FUND	October 31, 2004 - January 31, 2005
TEMPLETON CAPITAL ACCUMULATOR FUND	October 31, 2004 - January 31, 2005
FRANKLIN TEMPLETON MONEY FUND TRUST:	
Franklin Templeton Money Fund	October 31, 2004 - January 31, 2005
FRANKLIN INVESTORS SECURITIES TRUST:	
Franklin Floating Rate Daily Access Fund	October 31, 2004 - January 31, 2005
Franklin Total Return Fund	October 31, 2004 - January 31, 2005
Franklin Limited Maturity U.S. Government Securities Fund	October 31, 2004 - January 31, 2005
Franklin Convertible Securities Fund	October 31, 2004 - January 31, 2005
Franklin Equity Income Fund	October 31, 2004 - January 31, 2005
Franklin Low Duration Total Return Fund	November 17, 2004 - January 31, 2005
Franklin Adjustable U.S. Government Securities Fund	October 31, 2004 - January 31, 2005
FRANKLIN VALUE INVESTORS TRUST:	
Franklin Balance Sheet Investment Fund	October 31, 2004 - January 31, 2005
Franklin MicroCap Value Fund	October 31, 2004 - January 31, 2005
Franklin Small Cap Value Fund	October 31, 2004 - January 31, 2005
Franklin Large Cap Value Fund	October 31, 2004 - January 31, 2005
FRANKLIN FEDERAL MONEY FUND	October 31, 2004 - January 31, 2005
FRANKLIN MONEY FUND	October 31, 2004 - January 31, 2005
FRANKLIN CUSTODIAN FUNDS, INC.:	
Franklin Growth Fund	October 31, 2004 - January 31, 2005
Franklin Utilities Fund	October 31, 2004 - January 31, 2005
Franklin DynaTech Fund	October 31, 2004 - January 31, 2005
Franklin Income Fund	October 31, 2004 - January 31, 2005
Franklin U.S. Government Securities Fund	October 31, 2004 - January 31, 2005
TEMPLETON DRAGON FUND, INC.	October 31, 2004 - January 31, 2005
TEMPLETON INSTITUTIONAL FUNDS, INC.:	
Foreign Equity Series	October 31, 2004 - January 31, 2005