

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
May 15, 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: 811-08632 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 Global Trust  
Franklin Strategic Series  
Franklin Templeton Fund Allocator 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

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Franklin Real Estate Securities Trust  
Franklin Investors Securities Trust  
Franklin Value Investors Trust  
Franklin Templeton Money Fund Trust  
Franklin Multi-Income Trust  
Franklin Templeton Limited Duration Income Trust  
Templeton Russia and East European Fund, Inc.  
Templeton Global Income Fund  
Templeton Emerging Markets Fund  
Templeton Emerging Markets Income Fund  
Templeton Capital Accumulator Fund

and the Board of Directors of

Franklin Money Fund  
Franklin Federal 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 October 31, 2004. 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 October 31, 2004, 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 October 31, 2004 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 October 31, 2004, 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 October 31, 2004, 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

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ATTACHMENT I

FUND	PERIODS COVERED
FRANKLIN GLOBAL TRUST:	
Fiduciary High Income Fund	July 31, 2004 - October 31, 2004
Fiduciary Core Fixed Income Fund	July 31, 2004 - October 31, 2004
Fiduciary Small Capitalization Equity Fund	July 31, 2004 - October 31, 2004
Fiduciary Large Capitalization Growth and Income Fund	July 31, 2004 - October 31, 2004
Fiduciary European Smaller Companies Fund	July 31, 2004 - October 31, 2004
Fiduciary Core Plus Fixed Income Fund	July 31, 2004 - October 31, 2004
FRANKLIN STRATEGIC SERIES:	
Franklin Aggressive Growth Fund	April 30, 2004 - October 31, 2004
Franklin U.S. Long-Short Fund	April 30, 2004 - October 31, 2004
Franklin Natural Resources Fund	April 30, 2004 - October 31, 2004
Franklin Biotechnology Discovery Fund	April 30, 2004 - October 31, 2004
Franklin Blue Chip Fund	April 30, 2004 - October 31, 2004
Franklin Global Health Care Fund	April 30, 2004 - October 31, 2004
Franklin Global Communications Fund	April 30, 2004 - October 31, 2004
Franklin Strategic Income Fund	April 30, 2004 - October 31, 2004
Franklin Flex Cap Growth Fund	April 30, 2004 - October 31, 2004
Franklin Technology Fund	April 30, 2004 - October 31, 2004
Franklin Small Cap Growth Fund II	April 30, 2004 - October 31, 2004
Franklin Small-Mip Cap Growth Fund	April 30, 2004 - October 31, 2004
FRANKLIN TEMPLETON FUND ALLOCATOR SERIES:	
Franklin Templeton Conservative Target Fund	July 31, 2004 - October 31, 2004
Franklin Templeton Moderate Target Fund	July 31, 2004 - October 31, 2004
Franklin Templeton Growth Target Fund	July 31, 2004 - October 31, 2004
Franklin Templeton Corefolio Allocation Fund	July 31, 2004 - October 31, 2004
Franklin Templeton Perspectives Allocation Fund	August 2, 2004 - October 31, 2004
Franklin Templeton Founding Funds Allocation Fund	July 31, 2004 - October 31, 2004
FRANKLIN UNIVERSAL TRUST	July 31, 2004 - October 31, 2004
FRANKLIN STRATEGIC MORTGAGE PORTFOLIO	September 30, 2004 - October 31, 2004
FRANKLIN GOLD AND PRECIOUS METALS FUND	July 31, 2004 - October 31, 2004
FRANKLIN FLOATING RATE TRUST	July 31, 2004 - October 31, 2004
FRANKLIN CAPITAL GROWTH FUND	May 31, 2004 - October 31, 2004
INSTITUTIONAL FIDUCIARY TRUST:	
Money Market Portfolio	June 30, 2004 - October 31, 2004
Franklin Cash Reserves Fund	June 30, 2004 - October 31, 2004
Franklin Structured Large Cap Growth Equity Fund	May 31, 2004 - October 31, 2004
Franklin Structured Large Cap Core Equity Fund	May 31, 2004 - October 31, 2004
FRANKLIN HIGH INCOME TRUST:	
Franklin AGE High Income Fund	May 31, 2004 - October 31, 2004
FRANKLIN REAL ESTATE SECURITIES TRUST:	
Franklin Real Estate Securities Fund	April 30, 2004 - October 31, 2004
FRANKLIN INVESTORS SECURITIES TRUST:	
Franklin Floating Rate Daily Access Fund	September 30, 2004 - October 31, 2004
Franklin Total Return Fund	September 30, 2004 - October 31, 2004
Franklin Limited Maturity U.S. Government Securities Fund	September 30, 2004 - October 31, 2004
Franklin Convertible Securities Fund	September 30, 2004 - October 31, 2004

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Franklin Equity Income Fund	September 30, 2004 - October 31, 2004
Franklin Adjustable U.S. Government Securities Fund	June 30, 2004 - October 31, 2004
FRANKLIN VALUE INVESTORS TRUST:	
Franklin Balance Sheet Investment Fund	September 30, 2004 - October 31, 2004
Franklin MicroCap Value Fund	September 30, 2004 - October 31, 2004
Franklin Small Cap Value Fund	September 30, 2004 - October 31, 2004
Franklin Large Cap Value Fund	September 30, 2004 - October 31, 2004
FRANKLIN TEMPLETON MONEY FUND TRUST:	
Franklin Templeton Money Fund	June 30, 2004 - October 31, 2004
FRANKLIN MULTI-INCOME TRUST	July 31, 2004 - October 31, 2004
FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST	July 31, 2004 - October 31, 2004
TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC.	July 31, 2004 - October 31, 2004
TEMPLETON GLOBAL INCOME FUND	July 31, 2004 - October 31, 2004
TEMPLETON EMERGING MARKETS FUND	July 31, 2004 - October 31, 2004
TEMPLETON EMERGING MARKETS INCOME FUND	July 31, 2004 - October 31, 2004
TEMPLETON CAPITAL ACCUMULATOR FUND	July 31, 2004 - October 31, 2004
FRANKLIN MONEY FUND	June 30, 2004 - October 31, 2004
FRANKLIN FEDERAL MONEY FUND	June 30, 2004 - October 31, 2004
FRANKLIN CUSTODIAN FUNDS, INC.:	
Franklin Growth Fund	September 30, 2004 - October 31, 2004
Franklin Utilities Fund	September 30, 2004 - October 31, 2004
Franklin DynaTech Fund	September 30, 2004 - October 31, 2004
Franklin Income Fund	September 30, 2004 - October 31, 2004
Franklin U.S. Government Securities Fund	September 30, 2004 - October 31, 2004
TEMPLETON DRAGON FUND, INC.	July 31, 2004 - October 31, 2004
TEMPLETON INSTITUTIONAL FUNDS, INC.:	
Foreign Equity Series	July 31, 2004 - October 31, 2004
Emerging Fixed Income Series	July 31, 2004 - October 31, 2004