TEMPLETON DRAGON FUND INC
Form N-Q
November 28, 2006

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08394

TEMPLETON DRAGON FUND, INC.
(Exact name of registrant as specified in charter)

500 EAST BROWARD BLVD., SUITE 2100, FORT LAUDERDALE, FL 33394-3091
(Address of principal executive offices) (Zip code)

CRAIG S. TYLE, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906
(Name and address of agent for service)

Registrant's telephone number, including area code: (954) 527-7500

Date of fiscal year end: 12/31

Date of reporting period: 9/30/06

ITEM 1. SCHEDULE OF INVESTMENTS.

Templeton Dragon Fund, Inc.

QUARTERLY STATEMENT OF INVESTMENTS
SEPTEMBER 30, 2006

CONTENTS

Statement of Investments 3

Notes to Statement of Investments 7

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FRANKLIN TEMPLETON
INVESTMENTS

Franklin o TEMPLETON o Mutual Series

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Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2006 (UNAUDITED)

		COUNTRY
	COMMON STOCKS 95.3%	
	AIR FREIGHT & LOGISTICS 0.1%	
	Sinotrans Ltd., H	China
	AIRLINES 0.4%	
	Air China Ltd., H	China
a	Air China Ltd., H, 144A	China
	AUTO COMPONENTS 1.5%	
	Cheng Shin Rubber Industry Co. Ltd.	Taiwan
	Norstar Founders Group Ltd.	China
	AUTOMOBILES 0.3%	
	Brilliance China Automotive Holdings Ltd.	China
	Chongqing Changan Automobile Co. Ltd., B	China
	CAPITAL MARKETS 0.5%	
	Yuanta Core Pacific Securities Co.	Taiwan
	COMMERCIAL BANKS 11.0%	
a,b	Bank of China Ltd., H, 144A	China
	China Construction Bank, H	China
a	China Construction Bank, H, 144A	China
a,b	China Merchants Bank Co. Ltd., H, 144A	China
	Chinatrust Financial Holding Co. Ltd.	Taiwan
	HSBC Holdings PLC	United Kingd
	Mega Financial Holding Co. Ltd.	Taiwan
	COMMUNICATIONS EQUIPMENT 0.4%	
	D-Link Corp.	Taiwan
	ZTE Corp., H	China
	COMPUTERS & PERIPHERALS 3.3%	
	Acer Inc.	Taiwan
	Advantech Co. Ltd.	Taiwan
	Asustek Computer Inc.	Taiwan
	LITE-ON IT Corp.	Taiwan
	Lite-On Technology Corp.	Taiwan

CONSTRUCTION MATERIALS 0.2%	
Anhui Conch Cement Co. Ltd., H	China

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY
COMMON STOCKS (CONTINUED)	
DISTRIBUTORS 2.9%	
China Resources Enterprise Ltd.	China
Test-Rite International Co. Ltd.	Taiwan
DIVERSIFIED TELECOMMUNICATION SERVICES 1.3%	
China Telecom Corp. Ltd., H	China
ELECTRIC UTILITIES 3.8%	
Cheung Kong Infrastructure Holdings Ltd.	Hong Kong
ELECTRICAL EQUIPMENT 0.8%	
BYD Co. Ltd., H	China
Phoenixtec Power Co. Ltd.	Taiwan
ELECTRONIC EQUIPMENT & INSTRUMENTS 1.0%	
Delta Electronics Inc.	Taiwan
FOOD & STAPLES RETAILING 14.1%	
Dairy Farm International Holdings Ltd.	Hong Kong
FOOD PRODUCTS 0.5%	
Uni-President Enterprises Corp.	Taiwan
HOTELS RESTAURANTS & LEISURE 0.6%	
Hongkong and Shanghai Hotels Ltd.	Hong Kong
HOUSEHOLD DURABLES 0.1%	
Samson Holding Ltd.	China
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS 3.4%	
Datang International Power Generation Co. Ltd., H	China
Guangdong Electric Power Development Co. Ltd., B	China
Huadian Power International Corp. Ltd., H	China
Huaneng Power International Inc., H	China

INDUSTRIAL CONGLOMERATES 4.4%	
Citic Pacific Ltd.	China
LG Corp.	South Kore
Shanghai Industrial Holdings Ltd.	China
INSURANCE 1.0%	
China Life Insurance Co. Ltd., H	China
IT SERVICES 0.4%	
Travelsky Technology Ltd., H	China

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY
COMMON STOCKS (CONTINUED)	
MACHINERY 1.8%	
China International Marine Containers (Group) Co. Ltd., B	China
Yungtay Engineering Co. Ltd.	Taiwan
MEDIA 0.3%	
a Next Media Ltd., 144A	Hong Kong
METALS & MINING 0.1%	
Aluminum Corp. of China Ltd., H	China
China Oriental Group Co. Ltd.	China
OFFICE ELECTRONICS 0.1%	
Kinpo Electronics Inc.	Taiwan
OIL, GAS & CONSUMABLE FUELS 17.8%	
China Petroleum and Chemical Corp., H	China
China Shenhua Energy Co. Ltd., H	China
CNOOC Ltd.	China
a CNOOC Ltd., 144A	China
PetroChina Co. Ltd., H	China
a PetroChina Co. Ltd., H, 144A	China
PHARMACEUTICALS 0.1%	
Tong Ren Tang Technologies Co. Ltd., H	China
REAL ESTATE 4.9%	

Cheung Kong (Holdings) Ltd.	Hong Kong
Hang Lung Group Ltd.	Hong Kong
Henderson Investment Ltd.	Hong Kong
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT 4.5%	
Elan Microelectronics Corp.	Taiwan
Faraday Technology Corp.	Taiwan
Realtek Semiconductor Corp.	Taiwan
Samsung Electronics Co. Ltd.	South Kore
Sunplus Technology Co. Ltd.	Taiwan
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan
TEXTILES, APPAREL & LUXURY GOODS 0.5%	
Tack Fat Group International Ltd.	Hong Kong
Tainan Enterprises Co. Ltd.	Taiwan

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2006 (UNAUDITED) (CONTINUED)

	COUNTRY
COMMON STOCKS (CONTINUED)	
TRANSPORTATION INFRASTRUCTURE 2.1%	
Cosco Pacific Ltd.	China
b Hainan Meilan International Airport Co. Ltd., H	China
Hopewell Holdings Ltd.	Hong Kong
WIRELESS TELECOMMUNICATION SERVICES 11.1%	
China Mobile (Hong Kong) Ltd.	China
Taiwan Mobile Co. Ltd.	Taiwan
TOTAL COMMON STOCKS (COST $488,452,194)	
SHORT TERM INVESTMENTS (COST $40,253,335) 4.4%	
MONEY MARKET FUND 4.4%	
c Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.95%	United Stat
TOTAL INVESTMENTS (COST $528,705,529) 99.7%	
OTHER ASSETS, LESS LIABILITIES 0.3%	
NET ASSETS 100.0%	

a Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Directors. At September 30, 2006, the aggregate value of these securities was $53,492,927, representing 5.95% of net assets.

b Non-income producing for the twelve months ended September 30, 2006.

c The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by an affiliate of the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.

Templeton Dragon Fund, Inc.

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

Templeton Dragon Fund, Inc. (the Fund) is registered under the Investment Company Act of 1940 as a non-diversified, closed-end investment company.

1. INCOME TAXES

At September 30, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$529,608,463
Unrealized appreciation	$375,092,496
Unrealized depreciation	(7,179,409)
Net unrealized appreciation (depreciation)	$367,913,087

For information on the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

ITEM 2. CONTROLS AND PROCEDURES.

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer,

recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

ITEM 3. EXHIBITS.

(a) Certifications pursuant to Section 30a-2 of the Investment Company Act of 1940 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer.

SIGNATURES

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.

TEMPLETON DRAGON FUND, INC.

By /s/JIMMY D. GAMBILL

Jimmy D. Gambill
Chief Executive Officer -
Finance and Administration
Date November 27, 2006

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.

By /s/JIMMY D. GAMBILL

Jimmy D. Gambill
Chief Executive Officer -
Finance and Administration
Date November 27, 2006

By /s/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer
Date November 27, 2006