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TEMPLETON DRAGON FUND INC
Form N-Q
November 28, 2007

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

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: 9/30/07

ITEM 1. SCHEDULE OF INVESTMENTS.

Templeton Dragon Fund, Inc.

QUARTERLY STATEMENT OF INVESTMENTS
SEPTEMBER 30, 2007

CONTENTS

Statement of Investments	3
Notes to Statement of Investments	7

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INVESTMENTS

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Quarterly Statement of Investments | 1

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Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2007 (UNAUDITED)

	COUNTRY	SHARES
COMMON STOCKS 98.7%		
AIR FREIGHT & LOGISTICS 0.1%		
Sinotrans Ltd., H	China	3,01
AUTO COMPONENTS 2.0%		
Cheng Shin Rubber Industry Co. Ltd.	Taiwan	10,51
Norstar Founders Group Ltd.	Hong Kong	13,37
AUTOMOBILES 1.8%		
a Brilliance China Automotive Holdings Ltd.	China	2,23
Chongqing Changan Automobile Co. Ltd., B	China	1,28
Dongfeng Motor Corp., H	China	27,35
COMMERCIAL BANKS 9.9%		
Bank of China Ltd., H	China	15,40
b Bank of China Ltd., H, 144A	China	20,84
China Construction Bank Corp., H	China	48,58
b China Construction Bank Corp., H, 144A	China	38,09
a Chinatrust Financial Holding Co. Ltd.	Taiwan	11,28
HSBC Holdings PLC	United Kingdom	62
b Industrial and Commercial Bank of China, H, 144A	China	31,10
Mega Financial Holding Co. Ltd.	Taiwan	2,98
COMMUNICATIONS EQUIPMENT 0.7%		
D-Link Corp.	Taiwan	3,12
ZTE Corp., H	China	30
COMPUTERS & PERIPHERALS 4.2%		
Acer Inc.	Taiwan	3,63
Advantech Co. Ltd.	Taiwan	1,72
Asustek Computer Inc.	Taiwan	12,97
Compal Electronics Inc.	Taiwan	2,23
a Lite-On IT Corp.	Taiwan	4,22
Lite-On Technology Corp.	Taiwan	1,98
DISTRIBUTORS 1.7%		
China Resources Enterprise Ltd.	Hong Kong	5,81
DIVERSIFIED TELECOMMUNICATION SERVICES 2.0%		
China Netcom Group Corp. (Hong Kong) Ltd.	China	1,45
China Telecom Corp. Ltd., H	China	32,24

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Quarterly Statement of Investments | 3

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	SHARES
COMMON STOCKS (CONTINUED)		
ELECTRIC UTILITIES 2.9%		
Cheung Kong Infrastructure Holdings Ltd.	Hong Kong	11,06
ELECTRICAL EQUIPMENT 1.1%		
BYD Co. Ltd., H	China	1,19
Phoenixtec Power Co. Ltd.	Taiwan	6,74
ELECTRONIC EQUIPMENT & INSTRUMENTS 0.9%		
AU Optronics Corp.	Taiwan	6,85
Yorkey Optical International Cayman Ltd.	China	6,40
FOOD & STAPLES RETAILING 11.4%		
Dairy Farm International Holdings Ltd.	Hong Kong	34,63
FOOD PRODUCTS 0.7%		
a COFCO International Ltd.	China	3,62
Luzhou Bio-Chem Technology Ltd.	Singapore	2,50
People's Food Holdings Ltd.	China	3,04
Uni-President Enterprises Corp.	Taiwan	1,71
Xiwang Sugar Holdings Co. Ltd.	Hong Kong	2,94
HOTELS RESTAURANTS & LEISURE 0.4%		
NagaCorp Ltd.	Cambodia	17,26
HOUSEHOLD DURABLES 0.0% c		
Samson Holding Ltd.	Hong Kong	1,86
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS 3.9%		
Datang International Power Generation Co. Ltd., H	China	33,63
Guangdong Electric Power Development Co. Ltd., B	China	8,60
Huadian Power International Corp. Ltd., H	China	8,40
Huaneng Power International Inc., H	China	1,45

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INDUSTRIAL CONGLOMERATES 5.4%		
Citic Pacific Ltd.	Hong Kong	6,63
Shanghai Industrial Holdings Ltd.	China	6,85
INSURANCE 0.6%		
China Life Insurance Co. Ltd., H	China	1,45
IT SERVICES 0.5%		
SinoCom Software Group Ltd.	China	2,37
Travelsky Technology Ltd., H	China	5,67

4 | Quarterly Statement of Investments

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	SHAR

COMMON STOCKS (CONTINUED)		
MACHINERY 1.9%		
China Infrastructure Machinery Holdings Ltd.	Hong Kong	71
China International Marine Containers (Group) Co. Ltd., B	China	11,81
MEDIA 0.1%		
b Next Media Ltd., 144A	Hong Kong	4,97
METALS & MINING 0.3%		
Aluminum Corp. of China Ltd., H	China	1,02
a,b Fosun International, 144A	China	58
OIL, GAS & CONSUMABLE FUELS 25.4%		
a,b China Coal Energy Co., H, 144A	China	1,36
China Petroleum and Chemical Corp., H	China	103,15
China Shenhua Energy Co. Ltd., H	China	6,44
CNOOC Ltd.	China	24,90
b CNOOC Ltd., 144A	China	14,27
a,b Hidili Industry International Development, 144A	China	2
PetroChina Co. Ltd., H	China	58,40
Yanzhou Coal Mining Co. Ltd., H	China	7,68

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PHARMACEUTICALS 0.1%		
Tong Ren Tang Technologies Co. Ltd., H	China	67
REAL ESTATE 1.3%		
Cheung Kong (Holdings) Ltd.	Hong Kong	1,16
REAL ESTATE MANAGEMENT & DEVELOPMENT 0.1%		
a,b Country Garden Holdings Co., 144A	China	74
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT 4.0%		
MediaTek Inc.	Taiwan	38
Novatek Microelectronics Corp. Ltd.	Taiwan	2,12
a Semiconductor Manufacturing International Corp.	China	30,52
Sunplus Technology Co. Ltd.	Taiwan	3,62
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	15,44
SPECIALTY RETAIL 0.1%		
I.T. Ltd.	Hong Kong	5,77
TEXTILES, APPAREL & LUXURY GOODS 0.5%		
Tack Fat Group International Ltd.	Hong Kong	19,82
Tainan Enterprises Co. Ltd.	Taiwan	1,65
Weiqiao Textile Co. Ltd., H	China	80

Quarterly Statement of Investments | 5

Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2007 (UNAUDITED) (CONTINUED)

	COUNTRY	
COMMON STOCKS (CONTINUED)		
TRANSPORTATION INFRASTRUCTURE 2.9%		
Cosco Pacific Ltd.	China	
Hopewell Holdings Ltd.	Hong Kon	
a,b Rickmers Maritime, 144A	Singapor	

WIRELESS TELECOMMUNICATION SERVICES 11.8%

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China Mobile Ltd. China
 Taiwan Mobile Co. Ltd. Taiwan

TOTAL COMMON STOCKS (COST \$541,649,463)

SHORT TERM INVESTMENT (COST \$6,075,480) 0.4%
 MONEY MARKET FUND 0.4%

d Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.95% United Sta

TOTAL INVESTMENTS (COST \$547,724,943) 99.1%
 OTHER ASSETS, LESS LIABILITIES 0.9%

NET ASSETS 100.0%

a Non-income producing for the twelve months ended September 30, 2007.

b 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, 2007, the aggregate value of these securities was \$102,544,206, representing 7.17% of net assets.

c Rounds to less than 0.1% of net assets.

d 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.

6 | See Notes to Statement of Investments.
 | Quarterly Statement of Investments

Templeton Dragon Fund, Inc.

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

1. ORGANIZATION

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

2. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

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Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Directors.

Quarterly Statement of Investments | 7

Templeton Dragon Fund, Inc.

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

3. INCOME TAXES

At September 30, 2007, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$ 547,869,997
	=====
Unrealized appreciation	\$ 877,141,151
Unrealized depreciation	(6,935,805)

Net unrealized appreciation (depreciation)	\$ 870,205,346
	=====

4. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, "Fair Value Measurement" (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Fund believes the adoption of SFAS 157 will have no material impact on its financial statements.

For information on the Fund's policy regarding other significant accounting

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policies, please refer to the Fund's most recent semiannual or annual shareholder report.

8 | Quarterly Statement of Investments

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) Certification pursuant to Section 30a-2 under 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

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Chief Executive Officer - Finance and Administration
Date November 27, 2007

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, 2007

By /s/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer
Date November 27, 2007