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TEMPLETON DRAGON FUND INC  
Form N-Q  
May 28, 2009

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-08394  
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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  
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Date of fiscal year end: 12/31  
-----

Date of reporting period: 3/31/09  
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ITEM 1. SCHEDULE OF INVESTMENTS.

Templeton Dragon Fund, Inc.

QUARTERLY STATEMENT OF INVESTMENTS  
MARCH 31, 2009

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(FRANKLIN TEMPLETON INVESTMENTS (R) LOGO)

Franklin - TEMPLETON - Mutual Series

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Templeton Dragon Fund, Inc.

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STATEMENT OF INVESTMENTS, MARCH 31, 2009 (UNAUDITED)

	COUNTRY	SHARES/UNITS
COMMON STOCKS AND OTHER EQUITY INTERESTS 98.8%		
AIR FREIGHT & LOGISTICS 0.1%		
Sinotrans Ltd., H .....	China	4,063,000
AUTO COMPONENTS 1.7%		
Cheng Shin Rubber Industry Co. Ltd. ....	Taiwan	12,778,099
(a) Norstar Founders Group Ltd. ....	Hong Kong	13,376,000
(b) Zhejiang Glass Co. Ltd., H .....	China	2,154,000
AUTOMOBILES 2.9%		
(b) Chongqing Changan Automobile Co. Ltd., B .....	China	4,395,302
Denway Motors Ltd. ....	China	2,008,000
Dongfeng Motor Corp., H .....	China	27,354,000
Great Wall Motor Co. Ltd., H .....	China	2,496,000
Jiangling Motors Corp. Ltd., B .....	China	3,818,520
BEVERAGES 0.3%		
Yantai Changyu Pioneer Wine Co. Ltd., B .....	China	529,490
COMMERCIAL BANKS 8.0%		
Bank of China Ltd., H .....	China	35,777,000
(c) Bank of China Ltd., H, 144A .....	China	9,420,000
China Construction Bank Corp., H .....	China	50,251,000
Industrial and Commercial Bank of China Ltd., H .....	China	27,510,000
COMMUNICATIONS EQUIPMENT 0.4%		
ZTE Corp., H .....	China	788,737
COMPUTERS & PERIPHERALS 3.5%		
Acer Inc. ....	Taiwan	3,245,905
Advantech Co. Ltd. ....	Taiwan	1,813,561
Asustek Computer Inc. ....	Taiwan	14,656,504
Lite-On IT Corp. ....	Taiwan	6,206,598
CONSTRUCTION MATERIALS 0.0%(d)		
(b) Asia Cement China Holdings Corp. ....	China	389,500
DISTRIBUTORS 1.7%		
China Resources Enterprise Ltd. ....	Hong Kong	5,818,000
Dah Chong Hong Holdings Ltd. ....	Hong Kong	18,751,520
(c) Dah Chong Hong Holdings Ltd., 144A .....	Hong Kong	550,000

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Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, MARCH 31, 2009 (UNAUDITED) (CONTINUED)

	COUNTRY	SHARES/UNITS
COMMON STOCKS AND OTHER EQUITY INTERESTS (CONTINUED)		
DIVERSIFIED TELECOMMUNICATION SERVICES 1.7%		
China Telecom Corp. Ltd., H .....	China	18,476,000
China Unicom (Hong Kong) Ltd. ....	China	4,430,752
ELECTRIC UTILITIES 4.4%		
Cheung Kong Infrastructure Holdings Ltd. ....	Hong Kong	7,952,000
ELECTRICAL EQUIPMENT 0.1%		
Dongfang Electric Co. Ltd., H .....	China	354,000
ENERGY EQUIPMENT & SERVICES 0.0%(d)		
Honghua Group Ltd. ....	China	2,026,000
FOOD & STAPLES RETAILING 19.0%		
Beijing Jingkelong Supermarket Chain Group Co. Ltd., H .....	China	2,070,000
Dairy Farm International Holdings Ltd. ....	Hong Kong	31,063,578
FOOD PRODUCTS 1.4%		
China Foods Ltd. ....	China	16,322,000
People's Food Holdings Ltd. ....	China	3,574,000
(b) Uni-President China Holdings Ltd. ....	Taiwan	2,340,000
Uni-President Enterprises Corp. ....	Taiwan	1,290,692
Xiwang Sugar Holdings Co. Ltd. ....	Hong Kong	6,972,000
HOTELS, RESTAURANTS & LEISURE 0.2%		
NagaCorp Ltd. ....	Cambodia	17,265,000
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS 2.8%		
Datang International Power Generation Co. Ltd., H .....	China	34,592,000
Guangdong Electric Power Development Co. Ltd., B .....	China	10,224,960
Huaneng Power International Inc., H .....	China	1,454,000
INDUSTRIAL CONGLOMERATES 2.6%		
Shanghai Industrial Holdings Ltd. ....	China	6,850,000
INSURANCE 1.9%		
China Life Insurance Co. Ltd., H .....	China	4,134,000
IT SERVICES 0.3%		

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Travelsky Technology Ltd., H .....	China	5,574,000
LEISURE EQUIPMENT & PRODUCTS 0.2%		
Yorkey Optical International Cayman Ltd. ....	China	11,491,000

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Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, MARCH 31, 2009 (UNAUDITED) (CONTINUED)

	COUNTRY	SHARES/UNITS
COMMON STOCKS AND OTHER EQUITY INTERESTS (CONTINUED)		
MACHINERY 1.6%		
China International Marine Containers (Group) Co. Ltd., B ...	China	10,565,295
Lonking Holdings Ltd. ....	China	3,020,000
Shin Zu Shing Co. Ltd. ....	Taiwan	985,637
MARINE 0.1%		
Sinotrans Shipping Ltd. ....	Hong Kong	3,090,500
MEDIA 0.1%		
Next Media Ltd. ....	Hong Kong	5,588,000
METALS & MINING 0.3%		
Angang Steel Co. Ltd., H .....	China	840,000
(e) China Steel Corp. ....	Taiwan	1,292,000
Zijin Mining Group Co. Ltd., H .....	China	498,000
OIL, GAS & CONSUMABLE FUELS 22.6%		
China Coal Energy Co., H .....	China	891,000
China Petroleum and Chemical Corp., H .....	China	97,904,000
China Shenhua Energy Co. Ltd., H .....	China	7,079,500
CNOOC Ltd. ....	China	35,637,000
PetroChina Co. Ltd., H .....	China	52,788,000
Yanzhou Coal Mining Co. Ltd., H .....	China	9,996,000
PHARMACEUTICALS 0.1%		
Tong Ren Tang Technologies Co. Ltd., H .....	China	679,000
REAL ESTATE MANAGEMENT & DEVELOPMENT 4.4%		
Cheung Kong (Holdings) Ltd. ....	Hong Kong	954,000
Hopewell Holdings Ltd. ....	Hong Kong	7,088,000
Soho China Ltd. ....	China	11,126,500
(c) Soho China Ltd., 144A .....	China	764,000

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SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT 4.5%		
MediaTek Inc. ....	Taiwan	383,800
Novatek Microelectronics Corp. Ltd. ....	Taiwan	2,875,766
Taiwan Semiconductor Manufacturing Co. Ltd. ....	Taiwan	16,295,661
SOFTWARE 0.5%		
Kingdee International Software Group Co. Ltd., fgn. ....	Hong Kong	12,774,000
(b) Shanda Interactive Entertainment Ltd., ADR ....	China	52,600

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Templeton Dragon Fund, Inc.

STATEMENT OF INVESTMENTS, MARCH 31, 2009 (UNAUDITED) (CONTINUED)

	COUNTRY	SHARES/UNITS
	-----	-----
COMMON STOCKS AND OTHER EQUITY INTERESTS (CONTINUED)		
TEXTILES, APPAREL & LUXURY GOODS 0.4%		
Anta Sports Products Ltd. ....	China	1,944,000
Tainan Enterprises Co. Ltd. ....	Taiwan	1,657,443
Weiqiao Textile Co. Ltd., H ....	China	1,556,000
TRANSPORTATION INFRASTRUCTURE 1.1%		
Cosco Pacific Ltd. ....	China	6,710,000
Hopewell Highway Infrastructure Ltd. ....	Hong Kong	708,800
(c) Rickmers Maritime, 144A (Trust Units) ....	Singapore	2,904,000
WIRELESS TELECOMMUNICATION SERVICES 9.9%		
China Mobile Ltd. ....	China	7,731,500
Taiwan Mobile Co. Ltd. ....	Taiwan	2,972,831
TOTAL COMMON STOCKS AND OTHER EQUITY INTERESTS (COST \$478,112,585) .....		
SHORT TERM INVESTMENTS (COST \$6,986,168) 0.9%		
MONEY MARKET FUNDS 0.9%		
(f) Franklin Institutional Fiduciary Trust Money Market Portfolio, 0.13% .....	United States	6,986,168
TOTAL INVESTMENTS (COST \$485,098,753) 99.7% .....		
OTHER ASSETS, LESS LIABILITIES 0.3% .....		

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NET ASSETS 100.0% .....

See Abbreviations on page 9.

- (a) Security has been deemed illiquid because it may not be able to be sold within seven days.
- (b) Non-income producing.
- (c) 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 Trustees. At March 31, 2009, the aggregate value of these securities was \$4,177,171, representing 0.58% of net assets.
- (d) Rounds to less than 0.1% of net assets.
- (e) A portion or all of the security purchased on a delayed delivery basis.
- (f) 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.

See Notes to Statement of Investments.

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Templeton Dragon Fund, Inc.

### NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

#### 1. ORGANIZATION

Templeton Dragon Fund (Fund) is registered under the Investment Company Act of 1940, as amended, as a 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.

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. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert to the U.S. dollar

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equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Fund's Board of Directors.

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.

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Templeton Dragon Fund, Inc.

#### NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

##### 3. INCOME TAXES

At March 31, 2009, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments .....	\$485,907,375
	-----
Unrealized appreciation .....	\$312,929,323
Unrealized depreciation .....	(75,201,014)
	-----
Net unrealized appreciation (depreciation) .....	\$237,728,309
	=====

##### 4. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Statement No. 157 "Fair Value Measurement" establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices

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for similar securities, interest rates, prepayment speed, credit risk, etc.)

- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of March 31, 2009, in valuing the Fund's assets carried at fair value:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS:				
Investments in Securities.....	\$723,328,130	\$307,554	\$--	\$723,635,684

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Templeton Dragon Fund, Inc.

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

#### 4. FAIR VALUE MEASUREMENTS (CONTINUED)

At March 31, 2009, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	INVESTMENTS IN SECURITIES
Beginning Balance - January 1, 2009 .....	\$ 952,764
Net realized gain (loss) .....	--
Net change in unrealized appreciation (depreciation) .....	(1,259,860)
Net purchases (sales) .....	--
Transfers in and/or out of Level 3 .....	307,096
	-----
Ending Balance .....	\$ --
	-----
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period .....	\$ (1,259,860) =====

#### 5. NEW ACCOUNTING PRONOUNCEMENTS

In April 2009, FASB issued FASB Staff Position FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP FAS 157-4), which provides additional guidance when the volume and level of activity for the asset or liability measured at fair value have significantly



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decreased. Additionally, FSP FAS 157-4 amends FSAS 157 expanding disclosure requirements by reporting entities surrounding the major categories of assets and liabilities carried at fair value. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009. The Fund is currently evaluating the impact, if any, of applying FSP FAS 157-4.

### ABBREVIATIONS

#### SELECTED PORTFOLIO

ADR - American Depository Receipt

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

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#### 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 Laura F. Ferguson, Chief Executive Officer - Finance and Administration, and Mark H. Otani, Chief Financial Officer and Chief Accounting Officer

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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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/LAURA F. FERGERSON

-----  
Laura F. Ferguson  
Chief Executive Officer - Finance  
and Administration  
Date May 27, 2009

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/LAURA F. FERGERSON

-----  
Laura F. Ferguson  
Chief Executive Officer - Finance  
and Administration  
Date May 27, 2009

By /s/MARK H. OTANI

-----  
Mark H. Otani  
Chief Financial Officer and  
Chief Accounting Officer  
Date May 27, 2009