

TEMPLETON DRAGON FUND INC
Form N-CSR
March 03, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08394

Templeton Dragon Fund, Inc.
(Exact name of registrant as specified in charter)

300 S.E. 2nd Street, Fort Lauderdale, FL 33301-1923
(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: 12/31/14

Item 1. Reports to Stockholders.

Annual Report

December 31, 2014

Templeton Dragon Fund, Inc.

Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.¹ We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/13. Clients are represented by the total number of shareholder accounts.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Annual Report

Templeton Dragon Fund, Inc.

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Dear Shareholder:

This annual report for Templeton Dragon Fund covers the fiscal year ended December 31, 2014.

Your Fund's Goal and Main Investments

The Fund seeks long-term capital appreciation by investing at least 45% of its total assets in equity securities of China companies.

Economic and Market Overview

China's economy, as measured by gross domestic product (GDP), grew an estimated 7.4% in 2014, which was largely in line with the government's 7.5% target.¹ China's economy stabilized in 2014 as fiscal and monetary stimulus measures implemented in the year's second half gained traction. Strength in production and consumer spending offset weakness in fixed-asset investment, which was hindered by the government's efforts to cool the property market. Domestic demand continued to account for a greater portion of gross domestic product, as the government's market friendly policies supported new economic drivers.

The People's Bank of China (PBOC) implemented various measures to support economic growth after tightening liquidity early in the year to curb lending by banks and non-bank institutions. These measures were initially selective, such as the reduction of the cash reserve requirement ratio for banks serving rural borrowers and smaller companies to stimulate lending in targeted sectors. In November, the PBOC broadened its

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approach by cutting its benchmark interest rate for the first time since July 2012. With inflationary pressures trending downward, policymakers may have the flexibility to implement additional measures to support the economy.

Investors were generally optimistic about Chinese stocks despite concerns about the U.S. Federal Reserve Board's (Fed's) timing of interest rate increases, moderating global economic growth, geopolitical tensions in several regions, the devaluation of many currencies against the U.S. dollar and a sharp decline in crude oil prices. Chinese stocks benefited from the government's fiscal stimulus measures and the PBOC's pro-growth monetary policy, as well as from the growing momentum to reform state-owned enterprises and the launch of the Shanghai-Hong Kong Stock Connect program. Further supporting Chinese stocks were the Bank of Japan's and European Central Bank's monetary easing and the Fed's accommodative policy.

1. Source: The website of the National Bureau of Statistics of the People's Republic of China (www.stats.gov.cn).

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Consolidated Statement of Investments (SOI).

The Consolidated SOI begins on page 8.

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TEMPLETON DRAGON FUND, INC.

Geographic Breakdown

Based on Total Net Assets as of 12/31/14

Greater China stocks, as measured by the MSCI Golden Dragon Index, delivered a total return of +8.06% for the 12 months ended December 31, 2014.² The MSCI Taiwan Index generated a +10.05% total return, compared with +8.26% for the MSCI China Index and +5.07% for the MSCI Hong Kong Index.²

Investment Strategy

Our investment strategy employs a fundamental, value-oriented, long-term approach. In selecting companies for investment, we will consider overall growth prospects, competitive positions in export markets, technologies, research and development, productivity, labor costs, and raw material costs and sources. Additional considerations include profit margins, returns on investment, capital resources, government regulation, management and other factors in comparison to other companies around the world that we believe are comparable.

Our approach to selecting investments emphasizes fundamental, company-by-company analysis (rather than broader analyses of specific industries or sectors of the economy), to construct an action list from which we make our buy decisions. Although we will consider historical value measures, the primary factor in selecting securities for investment by the Fund will be the company's current price relative to its long-term earnings potential.

Performance Overview

The Fund posted cumulative total returns of +9.74% in market price terms and +7.86% in net asset value terms for the 12 months under review. You can find the Fund's long-term performance data in the Performance Summary on page 5.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Manager's Discussion

During the 12 months under review, the largest contributor to the Fund's absolute performance was our investment in an offshore China fund managed by our team, as China's domestic A-share market surged in late 2014, resulting from the PBOC's surprise interest rate cut in November and the effective easing of loan and deposit regulations to boost the economy.³ The government's stimulus measures and commitment to stable growth further supported the A-share market. Chinese stocks listed on the Hong Kong Stock Exchange, however, did not perform as well because of foreign investors' focus on less positive developments such as weak industrial survey data and subdued export growth. Demand for A shares, resulting from the Shanghai-Hong Kong Stock Connect program, may also have played a role in the divergent performances.

Other notable contributors included TSMC (Taiwan Semiconductor Manufacturing Co.) and Bank of China, whose stocks generated strong returns during the 12-month period.

TSMC, the world's largest independent integrated circuit foundry, showed strong growth in the past few years, resulting from increased demand for chips used in mobile devices such as smartphones and tablets. Strong corporate results, management updates suggesting rising market share and progress in the commercialization of the most advanced technology supported the company's share price performance.

Bank of China, one of the country's leading commercial banks, enjoyed strong share price performance in November and December as it reported better-than-expected operating results. The bank also benefited from the PBOC's monetary easing programs, including its interest rate cut and a softening of the terms of regulated loan-to-deposit ratio limits that led to market speculation about a possibility for further easing measures.

In contrast, key detractors from the Fund's absolute performance included CNOOC, China Resources Enterprise and SJM Holdings.

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2. Source: Morningstar.

The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

3. The China fund is a wholly owned subsidiary, and its individual securities are listed in the Consolidated SOI.

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TEMPLETON DRAGON FUND, INC.

Top 10 Holdings

12/31/14

| Company | % of Total |
|---|-------------------|
| Sector/Industry, Country | Net Assets |
| Dairy Farm International Holdings Ltd. | 10.4 % |
| <i>Food & Staples Retailing, Hong Kong</i> | |
| TSMC (Taiwan Semiconductor Manufacturing Co.) Ltd. | 7.5 % |
| <i>Semiconductors & Semiconductor Equipment, Taiwan</i> | |
| Sinopec (China Petroleum and Chemical Corp.), H | 5.5 % |
| <i>Oil, Gas & Consumable Fuels, China</i> | |
| China Construction Bank Corp., A & H | 5.2 % |
| <i>Banks, China</i> | |
| PetroChina Co. Ltd., H | 3.6 % |
| <i>Oil, Gas & Consumable Fuels, China</i> | |
| Industrial and Commercial Bank of China Ltd., A & H | 3.2 % |
| <i>Banks, China</i> | |
| CNOOC Ltd. | 3.1 % |
| <i>Oil, Gas & Consumable Fuels, China</i> | |
| China Mobile Ltd. | 2.9 % |
| <i>Wireless Telecommunication Services, China</i> | |
| Dongfeng Motor Group Co. Ltd., H | 2.7 % |
| <i>Automobiles, China</i> | |
| CITIC Securities Co. Ltd., A | 2.7 % |
| <i>Capital Markets, China</i> | |

CNOOC is one of China's biggest oil and gas exploration and production companies. The company reported better-than-expected first-half 2014 earnings results. However, lower oil prices in the year's second half pressured energy companies' share prices, with production-oriented companies such as CNOOC impacted worse than those with more emphasis on refining and marketing. The decision of the Organization of the Petroleum Exporting Countries to maintain oil production levels despite a global oversupply led prices to fall more than 40% in 2014's fourth quarter, further hurting share price performance of energy companies globally.

China Resources Enterprise is primarily engaged in retail, beer and beverage, and food businesses in China and Hong Kong. Weakness in the Chinese retail and beer market, as well as losses from the company's joint venture with Tesco, one of the U.K.'s major grocery retailers, negatively affected operations, leading China Resources to report a net loss for the third quarter. The government's anti-extravagance policy and competition from the e-commerce industry likely affected the performance of the company's retail business.

SJM Holdings, a Hong Kong-listed, Macau-based gaming and entertainment company, lost ground in 2014 after strong performance in 2013, as the Chinese government's anti-corruption and anti-extravagance policies negatively affected casino revenues. Macau's annual gambling revenues declined in 2014 for the first time since China liberalized the administrative region's casinos in 2001.

Although the Shanghai-Hong Kong Stock Connect program was designed to give foreign investors an opportunity to access China's domestic Shanghai A-share market, certain regulatory issues exist that currently make it unattractive for funds such as Templeton Dragon Fund to invest through that program. Nonetheless, in April we invested in the China A-share market through an existing offshore fund managed by our team and previously approved by Chinese authorities to invest in the China A-share market. Driving this investment was our belief that China's domestic market could provide Templeton Dragon Fund with an opportunity to gain exposure to industries such as traditional medicine,

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biotechnology and software that may not be well represented in the Hong Kong and China equity markets currently accessible to foreign investors.

During the year, we made selective purchases in technology, food products, shipping, apparel and automobile companies because of valuations we considered to be attractive. Key investments included a new position in Tencent Holdings, one of China's major Internet and mobile phone value-added services providers. We also increased our positions in Uni-President China Holdings, one of China's leading beverage and instant noodle manufacturers, and Dongfeng Motor Group, a Chinese commercial and passenger vehicle manufacturer that has joint ventures with international automobile manufacturers, including Nissan, Honda and Peugeot Citroen.

Conversely, we conducted some sales in Hong Kong, Taiwan, and China H and Red Chip shares as we raised funds for investment in domestic A shares and for dividend payments and sought to better position the Fund in stocks we considered to be more attractively valued within our investment universe.⁴ We reduced holdings largely in the energy, consumer staples, telecommunication services and industrials sectors.⁵ Key sales included Chinese automobile manufacturer Great Wall Motor, Chinese cement producer Anhui Conch Cement and coal producer China Shenhua Energy.

4. China H denotes shares of China-incorporated, Hong Kong Stock Exchange-listed companies with most businesses in China. Red Chip denotes shares of Hong Kong

Stock Exchange-listed companies substantially owned by Chinese mainland state entities, with significant exposure to China.

5. The energy sector comprises oil, gas and consumable fuels in the Consolidated SOI. The consumer staples sector comprises beverages, food and staples retailing, and

food products in the Consolidated SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services

in the Consolidated SOI. The industrials sector comprises commercial services and supplies, electrical equipment, industrial conglomerates, machinery, marine, road and

rail, and transportation infrastructure in the Consolidated SOI.

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Moreover, we reduced our positions in some of the Fund's larger holdings, including Hong Kong-based Asian retailer Dairy Farm International Holdings; Chinese energy companies Sinopec (China Petroleum and Chemical), CNOOC and PetroChina; and mobile services provider China Mobile to raise funds and promote diversification. However, we maintained a positive long-term view on these companies.

Thank you for your continued participation in Templeton Dragon Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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TEMPLETON DRAGON FUND, INC.

Performance Summary as of December 31, 2014

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any unrealized gains on the sale of Fund shares.

Share Prices

| Symbol: TDF | | 12/31/14 | | 12/31/13 | | Change |
|-----------------------|----|----------|----|----------|-----|--------|
| Net Asset Value (NAV) | \$ | 26.35 | \$ | 28.46 | -\$ | 2.11 |
| Market Price (NYSE) | \$ | 24.04 | \$ | 25.88 | -\$ | 1.84 |

Distributions

| | | Dividend Income | | Short-Term Capital Gain | | Long-Term Capital Gain | | Total | |
|--------|----------|--------------------|--------|----------------------------|--------|---------------------------|--------|-------|--------|
| 1/1/14 | 12/31/14 | \$ | 0.0238 | \$ | 0.0340 | \$ | 4.2551 | \$ | 4.3129 |

Performance¹

| | | Cumulative Total Return ² | | | Average Annual Total Return ² | | | |
|---------|---|--------------------------------------|---|---------------------------------------|--|------------------------------|---|---------------------------------------|
| | | Based on NAV ³ | | Based on market price ⁴ | | Based on NAV ³ | | Based on market price ⁴ |
| 1-Year | + | 7.86 % | + | 9.74 % | + | 7.86 % | + | 9.74 % |
| 5-Year | + | 35.59 % | + | 36.01 % | + | 6.28 % | + | 6.34 % |
| 10-Year | + | 190.89 % | + | 201.55 % | + | 11.27 % | + | 11.67 % |

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency volatility, economic instability and political developments of countries where the Fund invests. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. There are special risks associated with investments in China, Hong Kong and Taiwan, including exposure to currency fluctuations, less liquidity, expropriation, confiscatory taxation, nationalization and exchange control regulations (including currency blockage), inflation and rapid fluctuations in inflation and interest rates. In addition, investments in Taiwan could be adversely affected by its political and eco-

conomic relationship with China. Because the Fund invests its assets primarily in companies in a specific region, the Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Also, as a nondiversified investment company investing in China companies, the Fund may invest in a relatively small number of issuers and, as a result, be subject to a greater risk of loss with respect to its portfolio securities. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end.

Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.

2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.

3. Assumes reinvestment of distributions based on net asset value.

4. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

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Important Notice to Shareholders

Change in Non-Fundamental Investment Policy

The Fund's Board of Directors approved an amendment to the Fund's non-fundamental investment policy limiting investments in a single issuer to up to 15% of the Fund's total assets, measured at the time of investment. Under the amended investment policy, for investments in any affiliated private investment fund or vehicle in which the Fund has invested, the 15% limit shall apply to the Fund's proportionate interest in the portfolio securities held by such investment fund or vehicle. The amended investment policy will enable the Fund to invest a greater portion of its total assets in the Templeton China Opportunities Fund, Ltd., a Cayman Islands Exempt Company which holds China A shares directly and serves as an investment vehicle through which U.S. registered Franklin Templeton funds can gain exposure to the China A Share market.

Management believes that this change will be beneficial to the Fund and its shareholders because it provides the Fund with greater flexibility to pursue its investment objective of long-term capital appreciation. Under normal market conditions, the Fund invests at least 45% of its total assets in equity securities of China companies. In order to gain exposure to Chinese equity securities, the Fund currently may invest directly in H shares (shares of China-incorporated, Hong Kong Stock Exchange listed companies), B shares (shares that trade on the Shanghai or Shenzhen stock exchanges in either U.S. or Hong Kong dollars) and red chips (shares of Hong Kong Stock Exchange listed companies with significant exposure to China). Management believes adding China A shares to the Fund's investment universe will expand the investment opportunities for Fund shareholders.

Share Repurchase Program

The Fund's Board previously authorized the Fund to repurchase up to 10% of the Fund's outstanding shares in open-market transactions, at the discretion of management. This authorization remains in effect.

In exercising its discretion consistent with its portfolio management responsibilities, the investment manager will take into account various other factors, including, but not limited to, the level of the discount, the Fund's performance, portfolio holdings, dividend history, market conditions, cash on hand, the availability of other attractive investments and whether the sale of certain portfolio securities would be undesirable because of liquidity concerns or because the sale might subject the Fund to adverse tax consequences. Any repurchases would be made on a national securities exchange at the prevailing market price, subject to exchange requirements, Federal securities laws and rules that restrict repurchases, and the terms of any outstanding leverage or borrowing of the Fund. If and when the Fund's 10% threshold is reached, no further repurchases could be completed until authorized by the Board. Until the 10% threshold is reached, Fund management will have the flexibility to commence share repurchases if and when it is determined to be appropriate in light of prevailing circumstances. The share repurchase program is intended to benefit shareholders by enabling the Fund to repurchase shares at a discount to net asset value, thereby increasing the proportionate interest of each remaining shareholder in the Fund.

In the Notes to Consolidated Financial Statements section, please see note 2 (Capital Stock) for additional information regarding shares repurchased.

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TEMPLETON DRAGON FUND, INC.

Consolidated Financial Highlights

| | Year Ended December 31, | | | | |
|--|-------------------------|--------------|--------------|--------------|---------------------|
| | 2014 a | 2013 | 2012 | 2011 | 2010 |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$ 28.46 | \$ 31.19 | \$ 27.85 | \$ 33.22 | \$ 28.85 |
| Income from investment operations: | | | | | |
| Net investment income ^b | 0.49 | 0.53 | 0.55 | 0.49 | 0.34 |
| Net realized and unrealized gains (losses) | 1.63 | (1.73) | 4.25 | (3.62) | 5.79 |
| Total from investment operations | 2.12 | (1.20) | 4.80 | (3.13) | 6.13 |
| Less distributions from: | | | | | |
| Net investment income | (0.02) | (0.80) | (0.73) | (0.38) | (0.53) |
| Net realized gains | (4.29) | (0.87) | (0.75) | (1.86) | (1.23) |
| Total distributions | (4.31) | (1.67) | (1.48) | (2.24) | (1.76) |
| Repurchase of shares | 0.08 | 0.14 | 0.02 | | |
| Net asset value, end of year | \$ 26.35 | \$ 28.46 | \$ 31.19 | \$ 27.85 | \$ 33.22 |
| Market value, end of year ^c | \$ 24.04 | \$ 25.88 | \$ 28.44 | \$ 25.45 | \$ 30.71 |
| Total return (based on market value per share) | 9.74 % | (3.07)% | 18.07 % | (9.44)% | 19.58 % |
| Ratios to average net assets | | | | | |
| Expenses | 1.35 % ^d | 1.31 % | 1.31 % | 1.37 % | 1.47 % ^e |
| Net investment income | 1.75 % | 1.74 % | 1.85 % | 1.57 % | 1.14 % |
| Supplemental data | | | | | |
| Net assets, end of year (000 s) | \$ 925,020 | \$ 1,027,479 | \$ 1,174,229 | \$ 1,054,602 | \$ 1,258,237 |
| Portfolio turnover rate | 21.58 % ^f | 4.59 % | 2.50 % | 2.07 % | 6.69 % |

^aBased on the Consolidated Financial Highlights (Note 1).

^bBased on average daily shares outstanding.

^cBased on the last sale on the New York Stock Exchange.

^dBenefit of waiver and payments by affiliates rounds to less than 0.01%.

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^eBenefit of expense reduction rounds to less than 0.01%.

^fExcludes the value of portfolio securities associated with intercompany transactions.

franklintempleton.com The accompanying notes are an integral part of these consolidated financial statements. | Annual Report | 7

TEMPLETON DRAGON FUND, INC.

Consolidated Statement of Investments, December 31, 2014

| | Country | Shares | Value |
|--|-----------|------------|-------------|
| Common Stocks 99.5% | | | |
| Auto Components 0.1% | | | |
| aFuyao Group Glass Industries Co. Ltd., A | China | 643,488 \$ | 1,258,753 |
| Automobiles 7.2% | | | |
| aChongqing Changan Automobile Co. Ltd., A | China | 2,698,043 | 7,142,786 |
| Chongqing Changan Automobile Co. Ltd., B | China | 4,712,328 | 10,671,784 |
| Dongfeng Motor Group Co. Ltd., H | China | 17,864,000 | 25,250,285 |
| Great Wall Motor Co. Ltd., H | China | 558,845 | 3,189,199 |
| Guangzhou Automobile Group Co. Ltd., H | China | 2,265,584 | 2,059,901 |
| Jiangling Motors Corp. Ltd., B | China | 4,557,841 | 18,033,978 |
| | | | 66,347,933 |
| Banks 14.9% | | | |
| Bank of China Ltd., H | China | 30,749,600 | 17,329,974 |
| BOC Hong Kong (Holdings) Ltd. | Hong Kong | 4,488,000 | 14,990,966 |
| aChina Construction Bank Corp., A | China | 19,116,578 | 20,761,144 |
| China Construction Bank Corp., H | China | 33,132,272 | 27,133,258 |
| aChina Merchants Bank Co. Ltd., A | China | 8,062,689 | 21,552,990 |
| aIndustrial and Commercial Bank of China Ltd., A | China | 20,676,418 | 16,225,029 |
| Industrial and Commercial Bank of China Ltd., H | China | 17,811,155 | 13,001,262 |
| aIndustrial Bank Co. Ltd., A | China | 1,573,436 | 4,180,719 |
| aPing An Bank Co. Ltd., A | China | 1,067,580 | 2,724,814 |
| | | | 137,900,156 |
| Beverages 1.1% | | | |
| aKweichow Moutai Co. Ltd., A | China | 210,539 | 6,431,751 |
| Yantai Changyu Pioneer Wine Co. Ltd., B | China | 1,171,875 | 3,868,996 |
| | | | 10,300,747 |
| Capital Markets 2.7% | | | |
| aCITIC Securities Co. Ltd., A | China | 4,496,628 | 24,562,235 |
| Commercial Services & Supplies 0.0% | | | |
| bIntegrated Waste Solutions Group Holdings Ltd. | Hong Kong | 6,152,156 | 249,928 |
| Construction Materials 2.0% | | | |

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| | | | |
|--|-----------|------------|------------|
| cAnhui Conch Cement Co. Ltd., H | China | 810,500 | 3,041,747 |
| Asia Cement China Holdings Corp. | China | 9,652,629 | 5,639,243 |
| China National Building Material Co. Ltd., H | China | 10,466,000 | 10,163,720 |
| | | | 18,844,710 |
| Distributors 1.1% | | | |
| Dah Chong Hong Holdings Ltd. | China | 18,711,520 | 10,111,139 |
| Diversified Telecommunication Services 0.5% | | | |
| China Telecom Corp. Ltd., H | China | 5,444,000 | 3,159,422 |
| China Unicom (Hong Kong) Ltd. | China | 1,234,752 | 1,652,929 |
| | | | 4,812,351 |
| Electric Utilities 2.1% | | | |
| Cheung Kong Infrastructure Holdings Ltd. | Hong Kong | 2,635,000 | 19,557,032 |
| Electrical Equipment 0.8% | | | |
| Dongfang Electric Corp. Ltd., H | China | 1,250,000 | 2,298,828 |
| aJiangsu Linyang Electronics Co. Ltd., A | China | 1,209,630 | 4,406,912 |
| aNARI Technology Development Co. Ltd., A | China | 423,749 | 993,466 |
| | | | 7,699,206 |

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TEMPLETON DRAGON FUND, INC.

CONSOLIDATED STATEMENT OF INVESTMENTS

| | Country | Shares | Value |
|--|---------|--------------|-----------|
| Common Stocks (continued) | | | |
| Electronic Equipment, Instruments & Components 0.7% | | | |
| Simplo Technology Co. Ltd. | Taiwan | 1,203,214 \$ | 5,987,369 |
| Synnex Technology International Corp. | Taiwan | 382,000 | 556,387 |
| | | | 6,543,756 |
| Food & Staples Retailing 11.5% | | | |
| dBeijing Jingkelong Co. Ltd., H | China | 12,289,429 | 3,130,227 |
| China Resources Enterprise Ltd. | China | 3,033,700 | 6,369,481 |