

ANNUAL REPORT

# TEMPLETON DRAGON FUND, INC.

December 31, 2020



FRANKLIN  
TEMPLETON

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# ANNUAL REPORT

## Templeton Dragon Fund, Inc.

Dear Shareholder:

This annual report for Templeton Dragon Fund, Inc. covers the fiscal year ended December 31, 2020.

### 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."

### Performance Overview

The Fund posted cumulative total returns of +52.46% in market price terms and +42.18% 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.*

### Economic and Market Overview

China's economy contracted in 2020's first quarter for the first time on record, reflecting the significant disruption caused by the novel coronavirus (COVID-19) pandemic after the government shut down nonessential businesses for nearly two months. The shutdown hit an economy already impacted by slowing global demand exacerbated by trade conflict with the U.S., though China was able to loosen restrictions earlier than many other countries. Growth returned in the second quarter after businesses reopened and then accelerated in the third and fourth quarters, driven by retail sales and industrial production. As a net oil importer, low oil prices throughout the period also supported the economy. Near period-end, the government signaled its five-year annual growth targets would be on the lower end of prior forecasts, reflecting continued uncertainty about the pandemic's long-term economic impact.

1. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**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.**

### Geographic Composition 12/31/20

	% of Total Net Assets
China	98.7%
Other	0.6%
Short-Term Investments & Other Net Assets	0.7%

During the 12 months under review, the People's Bank of China (PBOC) cut its benchmark loan prime rate twice in direct response to the economic effects of the pandemic. Following the second rate cut in April, the PBOC offered multiple medium-term lending facilities to further support liquidity, including a record liquidity injection in November.

Chinese equities rose during the 12-month period. Losses in 2020's first quarter were reversed by the end of the second quarter due to the government's aggressive actions to contain the pandemic and encouraging economic data, which reassured many investors. Stocks continued to rise in the third and fourth quarters, benefiting from gains made by many technology-related companies, and a deepening of the country's economic recovery. Gains were limited by tensions with the U.S., which included sanctions against several Chinese technology companies.

In this environment, the MSCI China All Shares Total Return Index-NR, which measures the performance of China share classes listed in Hong Kong, Shanghai, Shenzhen and outside of China, posted a +33.41% total return for the 12 months ended December 31, 2020.<sup>1</sup> The MSCI China Index-NR posted a +29.49% total return.<sup>1</sup>

### 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.

## Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Tencent Holdings Ltd. <i>Interactive Media &amp; Services, China</i>	9.4%
Alibaba Group Holding Ltd. <i>Internet &amp; Direct Marketing Retail, China</i>	8.4%
China Merchants Bank Co. Ltd. <i>Banks, China</i>	3.7%
JD.com, Inc. <i>Internet &amp; Direct Marketing Retail, China</i>	3.6%
Wuxi Biologics Cayman, Inc. <i>Life Sciences Tools &amp; Services, China</i>	3.4%
Meituan Dianping <i>Internet &amp; Direct Marketing Retail, China</i>	3.3%
New Oriental Education & Technology Group, Inc. <i>Diversified Consumer Services, China</i>	3.1%
ANTA Sports Products Ltd. <i>Textiles, Apparel &amp; Luxury Goods, China</i>	2.8%
Innovent Biologics, Inc. <i>Biotechnology, China</i>	2.5%
China Tourism Group Duty Free Corp. Ltd. <i>Specialty Retail, China</i>	2.4%

## Manager’s Discussion

During the 12 months under review, key contributors to the Fund’s absolute performance included Tencent Holdings, Wuxi Biologics Cayman and Meituan Dianping.

Tencent is one of the largest internet services companies in China. The company provides online gaming, social network, financial technology, cloud and other entertainment-related services. After declining in early 2020, shares rebounded in March due to expectations that solid growth in the mobile gaming and financial technology businesses would offset any short-term negative impact of COVID-19 on Tencent’s advertising, payments and cloud services. Above-consensus quarterly revenues and net profit in the first three quarters of 2020 continued to support the upward share price trend. Shares also benefited from a U.S. court ruling blocking the U.S. presidential administration from enforcing restrictions against Tencent’s WeChat messaging app in 2020. With the U.S. accounting for a small portion of Tencent’s revenues, limited impact is expected even if some type of ban takes

effect. Shares faced some pressure late in the reporting period as China unveiled draft anti-monopoly rules for its internet industry.

Wuxi Biologics is a leading, global open-access technology platform offering end-to-end solutions to clients in the discovery, development and manufacturing of biologics, a type of drug which incorporates biological material. Shares were generally on an upward trend in 2020, driven by expectations of vaccine development and growth in its research and development pipeline. The company reported solid revenue and earnings growth in the first half of the year, with management also upgrading its revenue guidance for the second half of 2020 and 2021 on the back of increased COVID-19 related opportunities. A beneficiary of rising outsourcing demand for biologic drug development and manufacturing services, investors remained confident of Wuxi Biologics’ growth prospects. Expectations that a share price split in November could enhance liquidity and help diversify the company’s investor base further supported sentiment in the stock.

Meituan Dianping is China’s biggest delivery app service and food and consumer products group-buying website. Shares declined in March along with the wider market, but better-than-expected first-quarter sales figures led investors to adopt a more positive view on the stock. By mid-May, its group-buying business and food deliveries operation, which was helped by contactless payment capabilities, reported seeing a recovery. Shares continued to rise in the second half of the reporting period as the pandemic’s boost to online business models drove investors towards companies that appear well-positioned to capture this trend. The company saw an increase in the number of users and merchants on its platforms, leading to solid second- and third-quarter corporate results with positive revenue growth. Investor confidence was also supported by expectations that the growing penetration of food delivery in China could bolster Meituan Dianping’s dominance in the segment and set it on a clearer path to profitability.

In contrast, key detractors from absolute performance included AIA Group, Sun Art Retail Group and Industrial and Commercial Bank of China (ICBC).

AIA is a leading pan-Asian life insurance group with a strong presence in the Asia-Pacific region. The firm also provides retirement planning, accident and health insurance as well as wealth management products. AIA’s first-half 2020 corporate results disappointed investors amid a challenging environment in Hong Kong, a key market for the company, as border closures with mainland China and visa suspensions amid the COVID-19 pandemic prohibited

face-to-face sales meetings. Additionally, operational data elsewhere remained weak with new business value in China, Malaysia and Singapore recording double-digit declines. Shares rose in the latter part of the period, however, due to encouraging third-quarter quarter-on-quarter growth in new business value in most markets, anticipation of a further recovery in operations as vaccine advancement raised expectations of economies reopening, and business expansion in mainland China.

Sun Art Retail is a leading hypermarket retailer and operator of e-commerce platforms in China. Despite strong share-price performance and above-consensus double-digit earnings growth in the first half of 2020, shares corrected in the second half of the year due to concerns about weakening offline sales trends and rising e-commerce competition. Shares spiked briefly in October after leading Chinese e-commerce company Alibaba Group Holding (also a Fund holding) increased its stake in Sun Art Retail to become a majority shareholder, but investors grew concerned about potential challenges ahead of the materialization of greater synergies.

ICBC is one of the largest commercial banks in China. Shares lagged many of its Chinese counterparts over 2020. The bank reported a decline in first-half 2020 earnings, although third-quarter earnings recorded a quarter-on-quarter improvement despite declining from a year earlier. Investor sentiment was hampered by concerns that state-owned banks such as ICBC may have to bear the burden of the ongoing pandemic-related stimulus efforts, with the Chinese government urging commercial banks to lower interest rates and reduce fees to support businesses.

In the past 12 months, exposure to Taiwan was eliminated to focus on opportunities in the Chinese market. The Fund reduced its holdings in the financials, consumer discretionary, information technology and communication services sectors due to the availability of investment opportunities we considered more attractive. In terms of key sales, we closed positions in Taiwanese semiconductor company Taiwan Semiconductor Manufacturing Co., Chinese commercial bank China Construction Bank, and the aforementioned AIA, ICBC and Sun Art Retail. We also reduced holdings in the previously mentioned Tencent and leading Chinese sportswear company ANTA Sports Products to realign the Fund's portfolio following their strong share-price performances.

Meanwhile, we continued to identify what we deemed to be attractive companies with sustainable earnings power and which traded at a discount to their intrinsic worth. Additions to the portfolio included the previously mentioned Meituan Dianping; JD.com, a leading Chinese e-commerce company; and NetEase, one of the largest online gaming companies in China. The Fund also increased its investments in the domestic A-share markets, which were held through an offshore fund that is managed by our team and dedicated to investments in China's domestic A-share market. Turning to sectors, investments in industrials and real estate were increased due to their attractive fundamentals.

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

Sincerely,

Michael Lai, CFA  
Lead Portfolio Manager

Erik Mok  
Portfolio Manager

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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.*

## Performance Summary as of December 31, 2020

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 realized gains on the sale of Fund shares. 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.

### Performance as of 12/31/20<sup>1</sup>

	Cumulative Total Return <sup>2</sup>		Average Annual Total Return <sup>2</sup>	
	Based on NAV <sup>3</sup>	Based on market price <sup>4</sup>	Based on NAV <sup>3</sup>	Based on market price <sup>4</sup>
1-Year	+42.18%	+52.46%	+42.18%	+52.46%
5-Year	+113.79%	+145.98%	+16.41%	+19.72%
10-Year	+123.29%	+155.30%	+8.36%	+9.83%

*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.*

See page for 6 Performance Summary footnotes.

## Distributions (1/1/20–12/31/20)

	Net Investment Income	Long-Term Capital Gain	Total
	\$0.1550	\$5.6195	\$5.7745

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, international trade tensions (including tariffs, embargoes and trade wars), nationalization and exchange control regulations (including currency blockage), inflation and rapid fluctuations in inflation and interest rates, all of which can negatively impact the Fund. Recent events, such as the coronavirus outbreak, have caused, and may continue to cause, uncertainty and volatility in the Chinese economy, especially in the travel, leisure and retail sectors. In addition, investments in Taiwan could be adversely affected by its political and economic 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. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

The Fund may invest in eligible China A shares ("Stock Connect Securities") listed and traded on the Shanghai Stock Exchange through the Shanghai-Hong Kong Stock Connect program, as well as eligible China A shares listed and traded on the Shenzhen Stock Exchange through the Shenzhen-Hong Kong Stock Connect program (collectively, "Stock Connect") and may invest in China Interbank bonds traded on the China Interbank Bond Market ("CIBM") through the China - Hong Kong Bond Connect program ("Bond Connect").

Trading through Stock Connect is subject to a number of restrictions that may affect the Fund's investments and returns. For example, investors in Stock Connect Securities are generally subject to Chinese securities regulations and the listing rules of the respective Exchange, among other restrictions. In addition, Stock Connect Securities generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. While Stock Connect is not subject to individual investment quotas, daily and aggregate investment quotas apply to all Stock Connect participants, which may restrict or preclude the Fund's ability to invest in Stock Connect Securities. Trading in the Stock Connect program is subject to trading, clearance and settlement procedures that are untested in China, which could pose risks to the Fund. Finally, the withholding tax treatment of dividends and capital gains payable to overseas investors currently is unsettled. In China, the Hong Kong Monetary Authority Central Money Markets Unit holds Bond Connect securities on behalf of ultimate investors (such as the Fund) in accounts maintained with a China-based custodian (either the China Central Depository & Clearing Co. or the Shanghai Clearing House). This recordkeeping system subjects the Fund to various risks, including the risk that the Fund may have a limited ability to enforce rights as a bondholder and the risks of settlement delays and counterparty default of the Hong Kong sub-custodian. In addition, enforcing the ownership rights of a beneficial holder of Bond Connect securities is untested and courts in China have limited experience in applying the concept of beneficial ownership. Bond Connect uses the trading infrastructure of both Hong Kong and China and is not available on trading holidays in Hong Kong. As a result, prices of securities purchased through Bond Connect may fluctuate at times when a Fund is unable to add to or exit its position. Securities offered through Bond Connect may lose their eligibility for trading through the program at any time. If Bond Connect securities lose their eligibility for trading through the program, they may be sold but can no longer be purchased through Bond Connect.

The application and interpretation of the laws and regulations of Hong Kong and China, and the rules, policies or guidelines published or applied by relevant regulators and exchanges in respect of the Stock Connect and Bond Connect programs, are uncertain, and they may have a detrimental effect on the Fund's investments and returns.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 2/28/22. Fund investment results reflect the fee waiver; 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. Return for less than one year, if any, has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

## Consolidated Financial Highlights

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$21.81	\$19.01	\$24.53	\$19.05	\$20.51
Income from investment operations:					
Net investment income (loss) <sup>a</sup> . . . . .	(0.06)	0.19	0.32 <sup>b</sup>	0.19	0.27
Net realized and unrealized gains (losses) . . . . .	8.96	4.70	(3.76)	6.98	(0.06)
Total from investment operations . . . . .	8.90	4.89	(3.44)	7.17	0.21
Less distributions from:					
Net investment income . . . . .	(0.16)	(0.30)	(0.21)	(0.34)	(0.29)
Net realized gains . . . . .	(5.62)	(1.79)	(1.90)	(1.37)	(1.41)
Total distributions . . . . .	(5.78)	(2.09)	(2.11)	(1.71)	(1.70)
Repurchase of shares . . . . .	—	— <sup>c</sup>	0.03	0.02	0.03
Net asset value, end of year . . . . .	\$24.93	\$21.81	\$19.01	\$24.53	\$19.05
Market value, end of year <sup>d</sup> . . . . .	\$23.36	\$19.45	\$17.00	\$21.51	\$16.38
Total return (based on market value per share) . . . . .	52.46%	27.55%	(11.87)%	42.06%	1.03%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.34%	1.35%	1.33%	1.36%	1.35%
Expenses net of waiver and payments by affiliates . . . . .	1.33%	1.34%	1.33% <sup>e</sup>	1.35% <sup>f</sup>	1.35% <sup>e,f</sup>
Net investment income (loss) . . . . .	(0.26)%	0.88%	1.34% <sup>b</sup>	0.84%	1.35%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$842,645	\$737,427	\$643,788	\$837,967	\$654,805
Portfolio turnover rate . . . . .	39.50%	36.70%	14.06%	50.93%	46.85% <sup>g</sup>

<sup>a</sup>Based on average daily shares outstanding.

<sup>b</sup>Net investment income per share includes approximately \$0.07 per share related to income received in the form of a special dividend in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.05%.

<sup>c</sup>Amount rounds to less than \$0.01 per share.

<sup>d</sup>Based on the last sale on the New York Stock Exchange.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Excludes the value of portfolio securities associated with intercompany transactions.



## Consolidated Statement of Investments , December 31, 2020

	Country	Shares	Value
<b>Common Stocks 99.2%</b>			
<b>Air Freight &amp; Logistics 1.4%</b>			
<sup>a</sup> SF Holding Co. Ltd., A. . . . .	China	884,700	\$11,961,223
<b>Auto Components 0.9%</b>			
Minth Group Ltd. . . . .	China	1,422,000	7,523,344
<b>Banks 3.7%</b>			
<sup>a</sup> China Merchants Bank Co. Ltd., A. . . . .	China	1,840,646	12,406,391
China Merchants Bank Co. Ltd., H. . . . .	China	2,951,684	18,672,485
			31,078,876
<b>Beverages 3.7%</b>			
China Resources Beer Holdings Co. Ltd. . . . .	China	1,082,000	9,949,870
<sup>a</sup> Kweichow Moutai Co. Ltd., A. . . . .	China	46,445	14,222,021
<sup>a</sup> Luzhou Laojiao Co. Ltd., A. . . . .	China	202,956	7,035,829
			31,207,720
<b>Biotechnology 5.5%</b>			
<sup>b</sup> BeiGene Ltd. . . . .	China	657,637	13,323,372
<sup>a</sup> Hualan Biological Engineering, Inc., A. . . . .	China	677,388	4,388,353
<sup>c</sup> I-Mab, ADR. . . . .	China	18,922	892,172
<sup>b</sup> InnoCare Pharma Ltd., 144A, Reg S . . . . .	China	2,028,400	3,527,900
<sup>b</sup> Innovent Biologics, Inc., 144A, Reg S . . . . .	China	2,022,146	21,354,091
<sup>a</sup> Jinyu Bio-Technology Co. Ltd., A. . . . .	China	988,700	3,163,735
			46,649,623
<b>Capital Markets 0.7%</b>			
<sup>a</sup> East Money Information Co. Ltd., A. . . . .	China	1,268,800	6,023,771
<b>Chemicals 2.9%</b>			
<sup>a</sup> Jiangsu Yangnong Chemical Co. Ltd., A. . . . .	China	277,900	5,625,374
<sup>a</sup> Shenzhen Capchem Technology Co. Ltd., A. . . . .	China	1,218,410	18,951,449
			24,576,823
<b>Commercial Services &amp; Supplies 2.1%</b>			
<sup>d</sup> A-Living Smart City Services Co. Ltd., H, 144A, Reg S . . . . .	China	3,531,049	15,672,721
<sup>a</sup> Beijing Originwater Technology Co. Ltd., A. . . . .	China	1,693,200	1,987,242
			17,659,963
<b>Construction Materials 3.2%</b>			
Anhui Conch Cement Co. Ltd., H. . . . .	China	1,615,000	10,121,309
<sup>a</sup> Beijing Oriental Yuhong Waterproof Technology Co. Ltd., A. . . . .	China	2,814,300	16,741,809
			26,863,118
<b>Containers &amp; Packaging 1.6%</b>			
<sup>a</sup> Shenzhen YUTO Packaging Technology Co. Ltd., A. . . . .	China	1,457,700	6,847,180
<sup>a</sup> Zhejiang Jiemei Electronic & Technology Co. Ltd., A. . . . .	China	1,757,600	6,837,517
			13,684,697
<b>Diversified Consumer Services 3.1%</b>			
<sup>b</sup> New Oriental Education & Technology Group, Inc., ADR . . . . .	China	140,208	26,052,048
<b>Electrical Equipment 2.2%</b>			
<sup>a</sup> Hongfa Technology Co. Ltd., A. . . . .	China	1,238,435	10,308,732
<sup>a</sup> Sunwoda Electronic Co. Ltd., A. . . . .	China	1,724,500	8,126,926
			18,435,658
<b>Electronic Equipment, Instruments &amp; Components 2.8%</b>			
<sup>a</sup> Hangzhou Hikvision Digital Technology Co. Ltd., A. . . . .	China	556,800	4,140,457
<sup>a</sup> Luxshare Precision Industry Co. Ltd., A. . . . .	China	1,360,238	11,713,764
<sup>a</sup> Shenzhen Kinwong Electronic Co. Ltd., A. . . . .	China	840,364	3,885,111

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Electronic Equipment, Instruments &amp; Components</b> (continued)			
<sup>a</sup> WUS Printed Circuit Kunshan Co. Ltd., A . . . . .	China	1,348,970	\$3,890,526
			23,629,858
<b>Entertainment 1.6%</b>			
NetEase, Inc. . . . .	China	698,761	13,347,653
<b>Food &amp; Staples Retailing 0.9%</b>			
<sup>a</sup> Laobaixing Pharmacy Chain JSC, A . . . . .	China	783,860	7,541,788
<b>Food Products 2.2%</b>			
<sup>a</sup> Inner Mongolia Yili Industrial Group Co. Ltd., A . . . . .	China	1,276,300	8,678,316
<sup>a</sup> Jonjee Hi-Tech Industrial And Commercial Holding Co. Ltd., A . . . .	China	971,300	9,918,938
			18,597,254
<b>Health Care Equipment &amp; Supplies 1.6%</b>			
<sup>a</sup> Autobio Diagnostics Co. Ltd., A . . . . .	China	161,000	3,579,117
<sup>a</sup> Shanghai Kinetic Medical Co. Ltd., A . . . . .	China	1,156,000	2,806,734
<sup>a</sup> Shenzhen Mindray Bio-Medical Electronics Co. Ltd., A . . . . .	China	112,601	7,339,637
			13,725,488
<b>Health Care Providers &amp; Services 0.4%</b>			
<sup>a</sup> Aier Eye Hospital Group Co. Ltd., A . . . . .	China	213,600	2,452,459
<sup>a,b</sup> Meinian Onehealth Healthcare Holdings Co. Ltd., A . . . . .	China	632,239	1,098,969
			3,551,428
<b>Hotels, Restaurants &amp; Leisure 1.7%</b>			
<sup>a</sup> Songcheng Performance Development Co. Ltd., A . . . . .	China	1,942,700	5,278,534
Yum China Holdings, Inc. . . . .	China	155,335	8,868,075
			14,146,609
<b>Household Durables 3.9%</b>			
<sup>a</sup> Midea Group Co. Ltd., A . . . . .	China	1,169,916	17,654,777
<sup>a</sup> Oppein Home Group, Inc., A . . . . .	China	175,600	3,622,034
<sup>a</sup> Suofeiya Home Collection Co. Ltd., A . . . . .	China	1,730,400	6,874,555
<sup>a</sup> TCL Technology Group Corp., A . . . . .	China	4,284,200	4,650,419
			32,801,785
<b>Insurance 2.0%</b>			
<sup>a</sup> Ping An Insurance Group Co. of China Ltd., A . . . . .	China	689,150	9,188,297
Ping An Insurance Group Co. of China Ltd., H . . . . .	China	604,339	7,354,574
			16,542,871
<b>Interactive Media &amp; Services 10.9%</b>			
<sup>b</sup> Baidu, Inc., ADR . . . . .	China	59,647	12,898,067
Tencent Holdings Ltd. . . . .	China	1,095,100	78,796,605
			91,694,672
<b>Internet &amp; Direct Marketing Retail 17.9%</b>			
<sup>b</sup> Alibaba Group Holding Ltd. . . . .	China	2,439,545	70,953,021
<sup>b,c</sup> Baozun, Inc., ADR. . . . .	China	330,644	11,357,622
<sup>b</sup> JD.com, Inc., A . . . . .	China	685,912	30,209,227
<sup>b,d</sup> Meituan Dianping, B, Reg S . . . . .	China	740,841	27,887,817
<sup>b</sup> Vipshop Holdings Ltd., ADR . . . . .	China	363,129	10,207,556
			150,615,243
<b>IT Services 2.2%</b>			
<sup>b,c</sup> GDS Holdings Ltd., ADR . . . . .	China	198,407	18,578,831
<b>Life Sciences Tools &amp; Services 4.6%</b>			
<sup>c,d</sup> WuXi AppTec Co. Ltd., H, 144A, Reg S . . . . .	China	507,700	9,959,666

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Life Sciences Tools &amp; Services</b> (continued)			
<sup>b,d</sup> Wuxi Biologics Cayman, Inc., 144A, Reg S .....	China	2,163,019	\$28,684,539
			38,644,205
<b>Machinery 2.6%</b>			
<sup>a</sup> Shenzhen Inovance Technology Co. Ltd., A .....	China	822,000	11,762,604
Weichai Power Co. Ltd., H .....	China	5,124,940	10,304,797
			22,067,401
<b>Paper &amp; Forest Products 0.6%</b>			
Nine Dragons Paper Holdings Ltd. ....	Hong Kong	3,273,735	4,653,771
<b>Pharmaceuticals 1.5%</b>			
<sup>a</sup> Jiangsu Hengrui Medicine Co. Ltd., A .....	China	750,960	12,820,062
<b>Real Estate Management &amp; Development 3.0%</b>			
China Resources Land Ltd. ....	China	2,682,000	11,052,227
KWG Group Holdings Ltd. ....	China	2,557,000	3,493,569
<sup>b,d</sup> KWG Living Group Holdings Ltd., Reg S .....	China	1,278,500	1,038,968
<sup>a</sup> Poly Developments and Holdings Group Co. Ltd., A .....	China	2,309,500	5,590,562
Shimao Group Holdings Ltd. ....	China	1,284,400	4,091,211
<sup>b,d</sup> Shimao Services Holdings Ltd., 144A, Reg S .....	China	35,088	54,132
			25,320,669
<b>Semiconductors &amp; Semiconductor Equipment 1.6%</b>			
<sup>a</sup> LONGi Green Energy Technology Co. Ltd., A .....	China	486,400	6,881,247
<sup>a</sup> Will Semiconductor Co. Ltd. Shanghai, A .....	China	178,051	6,315,622
			13,196,869
<b>Software 0.8%</b>			
<sup>a</sup> Hundsun Technologies, Inc., A .....	China	425,627	6,848,278
<b>Specialty Retail 2.4%</b>			
<sup>a</sup> China Tourism Group Duty Free Corp. Ltd., A .....	China	463,300	20,093,084
<b>Textiles, Apparel &amp; Luxury Goods 2.8%</b>			
ANTA Sports Products Ltd. ....	China	1,493,156	23,692,070
<b>Transportation Infrastructure 0.2%</b>			
<sup>a</sup> Shanghai International Airport Co. Ltd., A .....	China	181,700	2,108,116
<b>Total Common Stocks (Cost \$436,914,217) .....</b>			<b>835,934,869</b>
		<b>Principal Amount<sup>†</sup></b>	
<b>Convertible Bonds 0.1%</b>			
<b>Containers &amp; Packaging 0.1%</b>			
Zhejiang Jiemei Electronic & Technology Co. Ltd., Zero Cpn., 11/03/26 .....	China	2,574,000 CNY	456,692
<b>Electrical Equipment 0.0%<sup>†</sup></b>			
<sup>a</sup> Sunwoda Electronic Co. Ltd., 0.4%, 7/14/26 .....	China	1,230,800 CNY	294,184
<b>Electronic Equipment, Instruments &amp; Components 0.0%<sup>†</sup></b>			
<sup>a</sup> Luxshare Precision Industry Co. Ltd., Zero Cpn., 11/02/26 .....	China	583,100 CNY	113,632
<sup>a</sup> Shenzhen Kinwong Electronic Co. Ltd., Zero Cpn., 8/23/26 .....	China	1,756,000 CNY	313,442
			427,074
<b>Total Convertible Bonds (Cost \$909,529) .....</b>			<b>1,177,950</b>
<b>Total Long Term Investments (Cost \$437,823,746) .....</b>			<b>837,112,819</b>

**Short Term Investments 1.8%**

	Country	Shares	Value
<b>Money Market Funds 0.5%</b>			
<sup>e,f</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	United States	3,981,124	\$3,981,124
<b>Total Money Market Funds (Cost \$3,981,124)</b> . . . . .			<b>3,981,124</b>
<b><sup>g</sup>Investments from Cash Collateral Received for Loaned Securities 1.3%</b>			
<b>Money Market Funds 1.3%</b>			
<sup>e,f</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	United States	10,814,327	10,814,327
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$10,814,327)</b> . . . . .			<b>10,814,327</b>
<b>Total Short Term Investments (Cost \$14,795,451)</b> . . . . .			<b>14,795,451</b>
<b>Total Investments (Cost \$452,619,197) 101.1%</b> . . . . .			<b>\$851,908,270</b>
<b>Other Assets, less Liabilities (1.1%)</b> . . . . .			<b>(9,267,135)</b>
<b>Net Assets 100.0%</b> . . . . .			<b>\$842,641,135</b>

See Abbreviations on page 23.

<sup>†</sup>The principal amount is stated in U.S. dollars unless otherwise indicated.

<sup>‡</sup>Rounds to less than 0.1% of net assets.

<sup>§</sup>The security is owned by Templeton China Opportunities Fund, Ltd., a wholly-owned subsidiary of the Fund. See Note 1(c).

<sup>||</sup>Non-income producing.

<sup>¶</sup>A portion or all of the security is on loan at December 31, 2020. See Note 1(d).

<sup>Ⓢ</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities 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. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$108,179,834, representing 12.8% of net assets.

<sup>Ⓣ</sup>See Note 3(c) regarding investments in affiliated management investment companies.

<sup>Ⓤ</sup>The rate shown is the annualized seven-day effective yield at period end.

<sup>Ⓥ</sup>See Note 1(d) regarding securities on loan.

## Consolidated Statement of Assets and Liabilities

December 31, 2020

	<b>Templeton Dragon Fund, Inc.</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$437,823,746
Cost - Non-controlled affiliates (Note 3c) . . . . .	14,795,451
Value - Unaffiliated issuers (Includes securities loaned of \$7,738,293) . . . . .	\$837,112,819
Value - Non-controlled affiliates (Note 3c) . . . . .	14,795,451
Cash . . . . .	9,795
Foreign currency, at value (cost \$2,443,380) . . . . .	2,475,003
Receivables:	
Dividends and interest . . . . .	368,753
Total assets . . . . .	<u>854,761,821</u>
<b>Liabilities:</b>	
Payables:	
Management fees . . . . .	887,970
Transfer agent fees . . . . .	18,699
Payable upon return of securities loaned (Note 1d) . . . . .	10,814,327
Accrued expenses and other liabilities . . . . .	399,690
Total liabilities . . . . .	<u>12,120,686</u>
Net assets, at value . . . . .	<u>\$842,641,135</u>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$360,700,870
Total distributable earnings (losses) . . . . .	481,940,265
Net assets, at value . . . . .	<u>\$842,641,135</u>
Shares outstanding . . . . .	<u>33,804,143</u>
Net asset value per share . . . . .	<u>\$24.93</u>

## Consolidated Statement of Operations

for the year ended December 31, 2020

**Templeton  
Dragon Fund,  
Inc.**

Investment income:	
Dividends: (net of foreign taxes of \$742,796)	
Unaffiliated issuers . . . . .	\$8,442,414
Non-controlled affiliates (Note 3c) . . . . .	54,650
Interest: (net of foreign taxes of \$467)	
Unaffiliated issuers . . . . .	21,440
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	126,456
Non-controlled affiliates (Note 3c) . . . . .	10,844
Total investment income. . . . .	<u>8,655,804</u>
Expenses:	
Management fees (Note 3a) . . . . .	10,079,953
Transfer agent fees . . . . .	76,424
Custodian fees (Note 4) . . . . .	246,150
Reports to shareholders . . . . .	44,762
Registration and filing fees . . . . .	37,065
Professional fees . . . . .	142,281
Directors' fees and expenses . . . . .	133,291
Other . . . . .	37,160
Total expenses . . . . .	<u>10,797,086</u>
Expenses waived/paid by affiliates (Note 3c) . . . . .	(63,603)
Net expenses . . . . .	<u>10,733,483</u>
Net investment income (loss) . . . . .	<u>(2,077,679)</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	191,562,175
Foreign currency transactions . . . . .	41,298
Net realized gain (loss) . . . . .	<u>191,603,473</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	110,870,262
Translation of other assets and liabilities denominated in foreign currencies . . . . .	19,635
Net change in unrealized appreciation (depreciation) . . . . .	<u>110,889,897</u>
Net realized and unrealized gain (loss) . . . . .	<u>302,493,370</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$300,415,691</u>

## Consolidated Statements of Changes in Net Assets

	Templeton Dragon Fund, Inc.	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss) . . . . .	\$(2,077,679)	\$6,343,302
Net realized gain (loss) . . . . .	191,603,473	105,183,281
Net change in unrealized appreciation (depreciation) . . . . .	110,889,897	53,978,230
Net increase (decrease) in net assets resulting from operations . . . . .	300,415,691	165,504,813
Distributions to shareholders . . . . .	(195,202,024)	(70,711,506)
Capital share transactions from - repurchase of shares (Note 2) . . . . .	—	(1,153,430)
Net increase (decrease) in net assets . . . . .	105,213,667	93,639,877
Net assets:		
Beginning of year . . . . .	737,427,468	643,787,591
End of year . . . . .	\$842,641,135	\$737,427,468

# Notes to Consolidated Financial Statements

## 1. Organization and Significant Accounting Policies

Templeton Dragon Fund, Inc. (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as a closed-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP).

The following summarizes the Fund's significant accounting policies.

### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Fund's Board of Directors (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an 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. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities 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. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through

which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At



## 1. Organization and Significant Accounting Policies

(continued)

### a. Financial Instrument Valuation (continued)

December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Consolidated Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding

taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### c. Investments in Templeton China Opportunities Fund, Ltd. (China Fund)

The Fund invests in certain China A-shares through its investment in the China Fund. The China Fund is a Cayman Islands exempted company, and is a wholly-owned subsidiary of the Fund, and is able to invest directly in China A-shares consistent with the investment objective of the Fund. At December 31, 2020, the China Fund's investments as well as any other assets and liabilities of the China Fund are reflected in the Fund's Consolidated Statement of Investments and Consolidated Statement of Assets and Liabilities. All intercompany transactions and balances have been eliminated. At December 31, 2020, the net assets of the China Fund were \$324,869,816, representing 38.6% of the Fund's consolidated net assets.

The China Fund gains access to the A-shares market through Templeton Investment Counsel, LLC (TIC), which serves as the registered Qualified Foreign Institutional Investor (QFII) for the China Fund. Investment decisions related to the China Fund A-shares are specific to the Fund and it bears the resultant economic and tax consequences of its holdings and transactions in A-shares. The China Fund is subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds, and earnings associated with its A-shares and may incur substantial delays in gaining access to its assets or a loss of value in the event of noncompliance with applicable Chinese rules or requirements.

### d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business

## 1. Organization and Significant Accounting Policies

(continued)

### d. Securities Lending (continued)

day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, in the Consolidated Statement of Assets and Liabilities. Additionally, the Fund received \$594,861 in U.S. Government and Agency securities as collateral. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Consolidated Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

### e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its consolidated

financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

### f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

### g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### h. Guarantees and Indemnifications

Under the Fund's organizational documents, its officers and directors are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

## 2. Capital Stock

At December 31, 2020, there were 100 million shares authorized (\$0.01 par value). During the years ended December 31, 2020 and 2019 there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market.

Under the Board approved open-market share repurchase program, the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. Since the inception of the program, the Fund has repurchased a total of 9,335,184 shares. During the year ended December 31, 2020, there were no shares repurchased. Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Shares repurchased . . . . .	—	\$—	61,341	\$1,153,430
Weighted average discount of market price to net asset value of shares repurchased . . . . .		—%		10.42%

## 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and directors of the Fund are also officers, and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Asset Management Ltd. (TAML)	Investment manager
Templeton Investment Counsel, LLC (TIC)	Investment manager
Franklin Templeton Investment Management Ltd. (FTIML)*	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager

### a. Management Fees

The Fund pays an investment management fee to TAML based on the average weekly net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.250%	Up to and including \$1 billion
1.200%	Over \$1 billion, up to and including \$5 billion
1.150%	Over \$5 billion, up to and including \$10 billion
1.100%	Over \$10 billion, up to and including \$15 billion
1.050%	Over \$15 billion, up to and including \$20 billion
1.000%	In excess of \$20 billion

Under an agreement with TAML, TIC is paid a fee for serving as the QFII for the China Fund. The fee is paid by TAML and is not an additional expense of the Fund.

On February 23, 2021, the Board approved a new subadvisory agreement between TAML and FTIML. The subadvisory fee will be paid by TAML and will not be an additional expense of the Fund or the China Fund. The new agreement will become effective on or about July 1, 2021.

### b. Administrative Fees

Under an agreement with TAML, FT Services provides administrative services to the Fund. The fee is paid by TAML based on the Fund's average weekly net assets, and is not an additional expense of the Fund.

### 3. Transactions with Affiliates (continued)

#### c. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Consolidated Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Templeton Dragon Fund, Inc.</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$21,610,576	\$374,918,115	\$(392,547,567)	\$—	\$—	\$3,981,124	3,981,124	\$54,650
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$—	\$174,870,965	\$(164,056,638)	\$—	\$—	\$10,814,327	10,814,327	\$10,844
<b>Total Affiliated Securities . . . .</b>	<b>\$21,610,576</b>	<b>\$549,789,080</b>	<b>\$(556,604,205)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$14,795,451</b>		<b>\$65,494</b>

### 4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, there were no credits earned.

### 5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income . . . . .	\$5,239,503	\$10,212,232
Long term capital gain . . . . .	189,962,521	60,499,274
	\$195,202,024	\$70,711,506

## 5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$451,687,832
Unrealized appreciation	\$407,792,842
Unrealized depreciation	(7,572,404)
Net unrealized appreciation (depreciation)	\$400,220,438
Distributable earnings:	
Undistributed ordinary income	\$31,294,110
Undistributed long term capital gains	\$49,906,214
Total distributable earnings	\$81,200,324

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of passive foreign investment companies, foreign currency transactions, investments in the China Fund and wash sales.

## 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$308,725,628 and \$491,136,263.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$10,814,327 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Consolidated Statement of Assets and Liabilities. The agreements can be terminated at any time.

## 7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

Investing in China A-shares may include certain risks and considerations not typically associated with investing in U.S. securities. In general, A-shares are issued by companies incorporated in the People's Republic of China (PRC) and listed on the Shanghai and Shenzhen Stock Exchanges and available for investment by domestic (Chinese) investors and holders of a QFII license and, in the case of certain eligible A-shares, through the Shanghai and Shenzhen Stock Connect programs. The Shanghai and Shenzhen Stock Exchanges are, however, substantially smaller, less liquid and more volatile than the major securities markets in the United States.

## 8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

## 9. Fair Value Measurements

The Fund follows 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 financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

## 9. Fair Value Measurements (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Templeton Dragon Fund, Inc.</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Air Freight & Logistics	\$—	\$11,961,223	\$—	\$11,961,223
Auto Components	—	7,523,344	—	7,523,344
Banks	—	31,078,876	—	31,078,876
Beverages	—	31,207,720	—	31,207,720
Biotechnology	892,172	45,757,451	—	46,649,623
Capital Markets	—	6,023,771	—	6,023,771
Chemicals	—	24,576,823	—	24,576,823
Commercial Services & Supplies	—	17,659,963	—	17,659,963
Construction Materials	—	26,863,118	—	26,863,118
Containers & Packaging	—	13,684,697	—	13,684,697
Diversified Consumer Services	26,052,048	—	—	26,052,048
Electrical Equipment	—	18,435,658	—	18,435,658
Electronic Equipment, Instruments & Components	—	23,629,858	—	23,629,858
Entertainment	—	13,347,653	—	13,347,653
Food & Staples Retailing	—	7,541,788	—	7,541,788
Food Products	—	18,597,254	—	18,597,254
Health Care Equipment & Supplies	—	13,725,488	—	13,725,488
Health Care Providers & Services	—	3,551,428	—	3,551,428
Hotels, Restaurants & Leisure	8,868,075	5,278,534	—	14,146,609
Household Durables	—	32,801,785	—	32,801,785
Insurance	—	16,542,871	—	16,542,871
Interactive Media & Services	12,898,067	78,796,605	—	91,694,672
Internet & Direct Marketing Retail	21,565,178	129,050,065	—	150,615,243
IT Services	18,578,831	—	—	18,578,831
Life Sciences Tools & Services	—	38,644,205	—	38,644,205
Machinery	—	22,067,401	—	22,067,401
Paper & Forest Products	—	4,653,771	—	4,653,771
Pharmaceuticals	—	12,820,062	—	12,820,062
Real Estate Management & Development	1,093,100	24,227,569	—	25,320,669
Semiconductors & Semiconductor Equipment	—	13,196,869	—	13,196,869
Software	—	6,848,278	—	6,848,278
Specialty Retail	—	20,093,084	—	20,093,084
Textiles, Apparel & Luxury Goods	—	23,692,070	—	23,692,070
Transportation Infrastructure	—	2,108,116	—	2,108,116
Convertible Bonds	—	1,177,950	—	1,177,950
Short Term Investments	14,795,451	—	—	14,795,451
Total Investments in Securities	\$104,742,922	\$747,165,348	\$—	\$851,908,270

## 10. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the consolidated financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the consolidated financial statements.

## Abbreviations

### Currency

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**CNY** Chinese Yuan

### Selected Portfolio

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**ADR** American Depositary Receipt



## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Templeton Dragon Fund, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated statement of investments, of Templeton Dragon Fund, Inc. and its subsidiary (the "Fund") as of December 31, 2020, the related consolidated statement of operations for the year ended December 31, 2020, the consolidated statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the consolidated financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and transfer agents. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
San Francisco, California

February 23, 2021

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

## Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$189,962,521 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$2,870,643 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended December 31, 2020. Distributions, including qualified dividend income, paid during calendar year 2020 will be reported to shareholders on Form 1099-DIV by mid-February 2021. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

At December 31, 2019, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on September 4, 2020, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, foreign source income, and foreign source qualified dividends as reported by the Fund to shareholders of record.

Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Source Qualified Dividends Per Share
\$0.0504	\$0.2054	\$0.0557

Foreign Tax Paid Per Share is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.<sup>1</sup>

Foreign Source Qualified Dividends Per Share is the amount per share of foreign source qualified dividends plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income Per Share that were derived from qualified foreign securities held by the Fund.<sup>1</sup>

At the beginning of each calendar year, shareholders will receive Form 1099-DIV which will include their share of taxes paid during the prior calendar year. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their income tax returns.

1. Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

## Important Information to Shareholders

### **Share Repurchase Program**

The Fund's Board has approved an open-market share repurchase program which includes an initial authorization for the Fund to repurchase up to 10% of its outstanding shares in open-market transactions, as well as up to an additional 10% of its outstanding shares, above and in addition to the initial 10% previously authorized. This authorization remains in effect.

The timing and amount of repurchases continue to be at the discretion of the investment manager, taking into account various 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 additional 10% threshold is reached, no further repurchases could be completed until authorized by the Board. Until the additional 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.

### **Sub-advisory Agreement**

At the February 23, 2021 meeting of the Board of Directors (the "Board") of Templeton Dragon Fund, Inc., the Board approved a new sub-advisory agreement between Templeton Asset Management Ltd. ("TAML"), the investment manager to the Fund, and Franklin Templeton Investment Management Limited ("FTIML") (the "FTIML Sub-Advisory Agreement"). The FTIML Sub-Advisory Agreement will allow Michael Lai, the current lead portfolio manager of the Fund,

to continue to serve as lead portfolio manager to the Fund as he relocates from Hong Kong to the United Kingdom, effective on or about July 1, 2021.

The FTIML Sub-Advisory Agreement will have no impact upon the Fund's expenses because the Fund will continue to pay the same amount of compensation to TAML.

### **Summary of Updated Information Regarding the Fund**

#### **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." "China companies" are companies (i) organized under the laws of, or with a principal office in, the People's Republic of China ("China" or the "PRC") or Hong Kong, or the principal business activities of which are conducted in China or Hong Kong, or for which the principal equity securities trading market is in China or Hong Kong, or (ii) that derive at least 50% of their revenues from goods or services sold or produced, or have at least 50% of their assets, in China or Hong Kong. Determinations as to eligibility will be made by the investment manager based on publicly available information and inquiries made to the companies.

#### **Principal Investment Strategy**

Under normal circumstances, the Fund will invest at least 45% of its total assets in the equity securities of China companies. The Fund may invest in companies listed on exchanges in mainland China, Hong Kong, or elsewhere that, in the judgment of the investment manager, are expected to benefit from developments in the economy of China.

Equity securities means common or preferred stock (including convertible preferred stock); bonds, notes or debentures convertible into common or preferred stock; stock purchase warrants or rights; equity interests in trusts, partnerships, joint ventures or similar enterprises; and sponsored or unsponsored American or Global Depositary Receipts. The Fund may also invest to a limited degree (up to 20% of its total assets) in debt obligations of China companies, which may be lower-rated or non-rated, including debt securities the issuer of which is in payment default, when consistent with the Fund's investment objective.

The Fund intends to invest its assets over a broad spectrum of sectors including, among others, as conditions warrant from time to time, consumer discretionary, communication services, health care, financials, and information technology. The Fund is not permitted to invest more than 25% of its assets in any one industry. In addition, the Fund's Board of Directors has adopted a non-fundamental policy under which the Fund will not invest more than 15% of its assets in any one issuer.

In addition, the Fund may invest up to 25% of its total assets in direct equity investments that the investment manager expects will become listed or otherwise publicly traded securities. Direct investments will consist of (i) the private purchase from an enterprise of an equity interest in the enterprise in the form of shares of common stock or equity interests in trusts, partnerships, joint ventures or similar enterprises, and (ii) the purchase of such an equity interest in an enterprise from a principal investor in the enterprise.

The Fund's investment objective of long-term capital appreciation and its policy of investing, under normal circumstances, at least 45% of its total assets in the equity securities of China companies, are fundamental and may not be changed without the approval of a majority of the Fund's outstanding voting securities. In addition, the Fund has adopted as a fundamental investment policy the requirement that, under normal circumstances, the Fund will invest at least 65% of its total assets in China companies, Japan companies and Asia-Pacific companies.

The Fund may invest in eligible China A shares. China A shares can be accessed through the Stock Connect program, which covers securities listed and traded on the Shanghai Stock Exchange through the Shanghai-Hong Kong Stock Connect program, as well as securities listed and traded on the Shenzhen Stock Exchange through the Shenzhen-Hong Kong Stock Connect program. China A shares can also be accessed through other means, including Qualified Foreign Institutional Investor regime (QFII).

The Fund invests in certain China A-shares through its investment in Templeton China Opportunities Fund, Ltd. (the "China Fund"). The China Fund is a Cayman Islands exempted company, and is a wholly-owned subsidiary of the Fund, and is able to invest directly in China A-shares consistent with the investment objective of the Fund. The China Fund gains access to the A-shares market through Templeton Investment Counsel, LLC (TIC), which serves as the registered QFII for the China Fund. Investment decisions

related to the China Fund A-shares are specific to the Fund and it bears the resultant economic and tax consequences of its holdings and transactions in A-shares. The China Fund is subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds, and earnings associated with its A-shares and may incur substantial delays in gaining access to its assets or a loss of value in the event of noncompliance with applicable Chinese rules or requirements.

During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable, the Fund may, for temporary defensive purposes, reduce its holdings in equity securities and invest without limit in certain short-term (less than twelve months to maturity) and medium-term (not greater than five years to maturity) debt securities or hold cash. The short-term and medium-term debt securities in which the Fund may invest consist of (a) obligations of the U.S., Chinese or Hong Kong governments, and their respective agencies or instrumentalities; (b) bank deposits and bank obligations (including certificates of deposit, time deposits and bankers' acceptances) of U.S. or foreign banks denominated in any currency; (c) floating rate securities and other instruments denominated in any currency issued by various governments or international development agencies; (d) finance company and corporate commercial paper and other short-term corporate debt obligations of U.S., Chinese or Hong Kong corporations; and (e) repurchase agreements with banks and broker dealers with respect to such securities. The Fund intends to invest for temporary defensive purposes only in short-term and medium-term debt securities rated, at the time of investment, A or higher by Moody's Investors Service, Inc. or Standard & Poor's Corporation or, if unrated by either rating agency, of equivalent credit quality to securities so rated as determined by the investment manager. For purposes of the Fund's investment restriction prohibiting the investment of 25% or more of the total value of its assets in a particular industry, a foreign government (but not the United States government) is deemed to be an "industry", and therefore investments in the obligations of any one foreign government may not equal or exceed 25% of the Fund's assets.

The Fund is a "non-diversified" fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

### Principal Investment Risks

You could lose money by investing in the Fund. Closed-end fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

### Foreign Securities (non-U.S.)

Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: (i) internal and external political and economic developments – e.g., the political, economic and social policies and structures of some foreign countries may be less stable and more volatile than those in the U.S. or a country (including the U.S.) may be subject to trading restrictions or economic sanctions imposed by another company; (ii) trading practices – e.g., there may be less government supervision and regulation of foreign securities and currency markets, trading systems and brokers than in the U.S.; (iii) availability of information – e.g., foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; (iv) limited markets – e.g., the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and (v) currency exchange rate fluctuations and policies. The risks of foreign investments may be greater in developing or emerging market countries.

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 have had, and may continue to have, negative effects on the economy and securities markets of China, Hong Kong and Taiwan. In addition, investments in Taiwan could be adversely affected by its political and economic relationship with China. China, Hong Kong and Taiwan are deemed by the investment manager to be emerging markets countries, which means an investment in these countries has more heightened risks than general foreign investing due to a lack of established legal, political, business and social frameworks in these countries to support securities markets as well as the possibility for more widespread corruption and fraud. In addition, the standards for environmental, social and corporate governance matters in China, Hong Kong and Taiwan tend to be lower than such standards in more developed economies.

Trade disputes and the imposition of tariffs on goods and services can affect the economies of countries in which the Fund invests, particularly those countries with large export sectors, as well as the global economy. Trade disputes can result in increased costs of production and reduced profitability for non-export-dependent companies that rely on imports to the extent a country engages in retaliatory tariffs. Trade disputes may also lead to increased currency exchange rate volatility.

### Region Focus

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 investments held by the Fund.

### China A Shares

Investing in China A-shares may include certain risks and considerations not typically associated with investing in U.S. securities. In general, A-shares are issued by companies incorporated in the PRC and listed on the Shanghai and Shenzhen Stock Exchanges and available for investment by domestic (Chinese) investors and holders of a QFII license and, in the case of certain eligible A-shares, through the Shanghai and Shenzhen Stock Connect programs. The Shanghai and Shenzhen Stock Exchanges are, however, substantially smaller, less liquid and more volatile than the major securities markets in the United States.

Trading through Stock Connect is subject to a number of restrictions that may affect the Fund's investments and returns. For example, investors in Stock Connect Securities are generally subject to Chinese securities regulations and the listing rules of the respective Exchange, among other restrictions. In addition, Stock Connect Securities generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. While Stock Connect is not subject to individual investment quotas, daily and aggregate investment quotas apply to all Stock Connect participants, which may restrict or preclude the Fund's ability to invest in Stock Connect Securities. Trading in the Stock Connect program is subject to trading, clearance and settlement procedures that are untested in China, which could pose risks to the Fund. Finally, the withholding tax treatment of dividends and

capital gains payable to overseas investors currently is unsettled. The application and interpretation of the laws and regulations of Hong Kong and China, and the rules, policies or guidelines published or applied by relevant regulators and exchanges in respect of the Stock Connect program, are uncertain, and they may have a detrimental effect on the Fund's investments and returns.

Please see the Performance Summary section of this report for additional risk disclosure.

### **Emerging Market Countries**

The Fund's investments in securities of issuers in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation.

### **Market**

The market values of securities or other investments owned by the Fund will go up or down, sometimes rapidly or unpredictably. The market value of a security or other investment may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all investments. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

### **Non-Diversification**

Because the Fund is non-diversified, it may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund, which may result in greater fluctuation in the value of the Fund's shares and greater risk of loss.

### **Focus**

To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

## Annual Meeting of Shareholders May 28, 2020 (unaudited)

The Annual Meeting of Shareholders of Templeton Dragon Fund, Inc. (the "Fund") was held at the Fund's offices, 300 S.E. 2nd Street, Fort Lauderdale, Florida, on May 28, 2020. The purpose of the meeting was to elect four Directors of the Fund and to ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Fund for the fiscal year ending December 31, 2020. At the meeting, the following persons were elected by the shareholders to serve as Directors of the Fund: Harris J. Ashton, Mary C. Choksi, J. Michael Luttig and Constantine D. Tseretopoulos.\* Shareholders also ratified the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Fund for the fiscal year ending December 31, 2020. No other business was transacted at the meeting with respect to the Fund.

The results of the voting at the Annual Meeting are as follows:

1. Election of four Directors:

<b>Term Expiring 2023</b>	<b>For</b>	<b>% of Outstanding Shares</b>	<b>% of Shares Present</b>	<b>Against</b>	<b>% of Outstanding Shares</b>	<b>% of Shares Present</b>
Harris J. Ashton . . . . .	18,500,091	54.73%	61.82%	11,203,488	33.14%	37.44%
Mary C. Choksi . . . . .	17,730,057	52.45%	59.25%	11,984,142	35.45%	40.05%
J. Michael Luttig . . . . .	18,556,498	54.89%	62.01%	11,153,179	32.99%	37.27%
Constantine D. Tseretopoulos . . . . .	18,488,847	54.69%	61.78%	11,211,329	33.17%	37.46%

<b>Term Expiring 2023</b>	<b>Abstain</b>	<b>% of Outstanding Shares</b>	<b>% of Shares Present</b>
Harris J. Ashton . . . . .	222,285	0.66%	0.74%
Mary C. Choksi . . . . .	211,665	0.63%	0.71%
J. Michael Luttig . . . . .	216,188	0.64%	0.72%
Constantine D. Tseretopoulos . . . . .	225,688	0.67%	0.75%

There were no broker non-votes received with respect to this item.

2. Ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Fund for the fiscal year ending December 31, 2020:

	<b>Shares Voted</b>	<b>% of Outstanding Shares</b>	<b>% of Shares Present</b>
For . . . . .	18,558,353	54.90%	62.01%
Against . . . . .	11,143,055	32.96%	37.24%
Abstain . . . . .	224,458	0.66%	0.75%

\*Ann Torre Bates, Edith E. Holiday, Rupert H. Johnson, Jr., Gregory E. Johnson, David W. Niemiec, Larry D. Thompson and Robert E. Wade are Directors of the Fund who are currently serving and whose terms of office continued after the Annual Meeting of Shareholders.

## Dividend Reinvestment and Cash Purchase Plan

The Fund offers a Dividend Reinvestment and Cash Purchase Plan (the “Plan”) with the following features:

If shares of the Fund are held in the shareholder’s name, the shareholder will automatically be a participant in the Plan unless he elects to withdraw. If the shares are registered in the name of a broker-dealer or other nominee (i.e., in “street name”), the broker-dealer or nominee will elect to participate in the Plan on the shareholder’s behalf unless the shareholder instructs them otherwise, or unless the reinvestment service is not provided by the broker-dealer or nominee.

To receive dividends or distributions in cash, the shareholder must notify American Stock Transfer and Trust Company, LLC (the “Plan Administrator”) at P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or the institution in whose name the shares are held. The Plan Administrator must receive written notice ten business days before the record date for the distribution.

Whenever the Fund declares dividends in either cash or shares of the Fund, if the market price is equal to or exceeds net asset value at the valuation date, the participant will receive the dividends entirely in new shares at a price equal to the net asset value, but not less than 95% of the then current market price of the Fund’s shares. If the market price is lower than net asset value or if dividends and/or capital gains distributions are payable only in cash, the participant will receive shares purchased on the New York Stock Exchange or otherwise on the open market.

A participant has the option of submitting additional cash payments to the Plan Administrator, in any amounts of at least \$100, up to a maximum of \$5,000 per month, for the purchase of Fund shares for his or her account. These payments can be made by check payable to American Stock Transfer and Trust Company, LLC and sent to American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, Attention: Templeton Dragon Fund, Inc. The Plan Administrator will apply such payments (less a \$5.00 service charge and less a pro rata share of trading fees) to purchases of the Fund’s shares on the open market.

Whenever shares are purchased on the New York Stock Exchange or otherwise on the open market, each participant will pay a pro rata portion of trading fees. Trading fees will be deducted from amounts to be invested. The Plan Administrator’s fee for a sale of shares through the Plan is \$15.00 per transaction plus a \$0.12 per share trading fee.

The automatic reinvestment of dividends and/or capital gains does not relieve the participant of any income tax that may be payable on dividends or distributions.

The participant may withdraw from the Plan without penalty at any time by written notice to the Plan Administrator sent to American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560. Upon withdrawal, the participant will receive, without charge, share certificates issued in the participant’s name for all full shares held by the Plan Administrator; or, if the participant wishes, the Plan Administrator will sell the participant’s shares and send the proceeds to the participant, less a service charge of \$15.00 and less trading fees of \$0.12 per share. The Plan Administrator will convert any fractional shares held at the time of withdrawal to cash at current market price and send a check to the participant for the net proceeds.

For more information, please see the Plan’s Terms and Conditions located at the back of this report.



### **Transfer Agent**

American Stock Transfer and Trust Company, LLC  
P.O. Box 922, Wall Street Station,  
New York, NY 10269-056

(800) 416-5585  
www.astfinancial.com

### **Direct Deposit Service for Registered Shareholders**

Cash distributions can now be electronically credited to a checking or savings account at any financial institution that participates in the Automated Clearing House (“ACH”) system. The Direct Deposit service is provided for registered shareholders at no charge. To enroll in the service, access your account online by going to [www.astfinancial.com](http://www.astfinancial.com) or dial (800) 416-5585 (toll free) and follow the instructions. Direct Deposit will begin with the next scheduled distribution payment date following enrollment in the service.

### **Direct Registration**

If you are a registered shareholder of the Fund, purchases of shares of the Fund can be electronically credited to your Fund account at American Stock Transfer and Trust Company, LLC through Direct Registration. This service provides shareholders with a convenient way to keep track of shares through book entry transactions, electronically move book-entry shares between broker-dealers, transfer agents and DRS eligible issuers, and eliminate the possibility of lost certificates. For additional information, please contact American Stock Transfer and Trust Company, LLC at (800) 416-5585.

### **Shareholder Information**

Shares of Templeton Dragon Fund, Inc. are traded on the New York Stock Exchange under the symbol “TDF.” Information about the net asset value and the market price is available at [franklintempleton.com](http://franklintempleton.com).

For current information about dividends and shareholder accounts, call (800) 416-5585. Registered shareholders can access their Fund account on-line. For information go to American Stock Transfer and Trust Company, LLC website at [www.astfinancial.com](http://www.astfinancial.com) and follow the instructions.

The daily closing net asset value as of the previous business day may be obtained when available by calling Franklin Templeton Fund Information after 7 a.m. Pacific time any business day at (800) DIAL BEN/342-5236. The Fund’s net asset value and dividends are also listed on the NASDAQ Stock Market, Inc.’s Mutual Fund Quotation Service (“NASDAQ MFQS”).

Shareholders not receiving copies of reports to shareholders because their shares are registered in the name of a broker or a custodian can request that they be added to the Fund’s mailing list, by writing Templeton Dragon Fund, Inc., 100 Fountain Parkway, P.O. Box 33030, St. Petersburg, FL, 33733-8030.

## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 1994	125	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Ann Torre Bates (1958)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2008	30	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), <b>formerly</b> , Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
<b>Mary C. Choksi (1950)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2016	125	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-May 2020).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Edith E. Holiday (1952)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Director	Director since 1996 and Lead Independent Director since 2007	125	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and <b>formerly</b> , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director or Trustee of various companies and trusts; and <b>formerly</b> , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				
<b>J. Michael Luttig (1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2009	125	Boeing Capital Corporation (aircraft financing) (2006-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Private Investor; and <b>formerly</b> Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).				
<b>David W. Niemiec (1949)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2005	30	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Advisor, Saratoga Partners (private equity fund); and <b>formerly</b> , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
<b>Larry D. Thompson (1945)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2005	125	Graham Holdings Company (education and media organization) (2011-present); and <b>formerly</b> , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and <b>formerly</b> , Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Constantine D. Tseretopoulos(1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 1998	19	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and <b>formerly</b> , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).				
<b>Robert E. Wade (1946)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Director	Since 2006	30	EI Oro Ltd (investments) (2003-2019).
<b>Principal Occupation During at Least the Past 5 Years:</b> Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Director	Since 2006	136	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				
<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Director and Vice President	Chairman of the Board and Director since 2013 and Vice President since 1996	125	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Director (Vice Chairman), , Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting and officer of 39 of the investment companies in Franklin Templeton.				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Manraj S. Sekhon (1969)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Investment Officer, Franklin Templeton Emerging Markets Equity; officer of four of the investment companies in Franklin Templeton; and <b>formerly</b> , Chief Executive and Chief Investment Officer, Fullerton Fund Management Company Ltd. (2011-2016).				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Secretary	Vice President since 2011 and Secretary since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.				

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton fund complex. These portfolios have a common investment manager or affiliated investment managers.

\*\*Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the U.S. Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Ms. Bates and Mr. Niemiec qualify as such an expert in view of their extensive business background and experience. Ms. Bates has served as a member of the Fund Audit Committee since 2008. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2005, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Ms. Bates and Mr. Niemiec have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Bates and Mr. Niemiec are independent Board members as that term is defined under the applicable U.S. Securities and Exchange Commission Rules and Releases

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

## Shareholder Information

### Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

### Quarterly Consolidated Statement of Investments

The Fund files a complete consolidated statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

## TERMS AND CONDITIONS OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

1. Each holder of shares (a "Shareholder") in Templeton Dragon Fund, Inc. (the "Fund") whose Fund shares are registered in his or her own name will automatically be a participant in the Dividend Reinvestment and Cash Purchase Plan (the "Plan"), unless any such Shareholder specifically elects in writing to receive all dividends and capital gains in cash, paid by check, mailed directly to the Shareholder. A Shareholder whose shares are registered in the name of a broker-dealer or other nominee (the "Nominee") will be a participant if (a) such a service is provided by the Nominee and (b) the Nominee makes an election on behalf of the Shareholder to participate in the Plan. Nominees intend to make such an election on behalf of Shareholders whose shares are registered in their names, as Nominee, unless a Shareholder specifically instructs his or her Nominee to pay dividends and capital gains in cash. American Stock Transfer and Trust Company, LLC ("AST") will act as Plan Administrator and will open an account for each participating shareholder ("participant") under the Plan in the same name as that in which the participant's present shares are registered.

2. Whenever the Fund declares a distribution from capital gains or an income dividend payable in either cash or shares of the Fund ("Fund shares"), if the market price per share on the valuation date equals or exceeds the net asset value per share, participants will receive such dividend or distribution entirely in Fund shares, and AST shall automatically receive such Fund shares for participant accounts including aggregate fractions. The number of additional Fund shares to be credited to participant accounts shall be determined by dividing the equivalent dollar amount of the capital gains distribution or dividend payable to participants by the Fund's net asset value per share of the Fund shares on the valuation date, provided that the Fund shall not issue such shares at a price lower than 95% of the current market price per share. The valuation date will be the payable date for such distribution or dividend.

3. Whenever the Fund declares a distribution from capital gains or an income dividend payable only in cash, or if the Fund's net asset value per share exceeds the market price per share on the valuation date, AST shall apply the amount of such dividend or distribution payable to participants to the purchase of Fund shares on the open market (less their pro rata share of trading fees incurred with respect to open market purchases in connection with the reinvestment of such dividend or distribution). If, before AST has completed its purchases, the market price exceeds the net asset value

per share, the average per share purchase price paid by AST may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend or capital gains distribution had been paid in shares issued by the Fund at net asset value per share. Such purchases will be made promptly after the payable date for such dividend or distribution, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of the Federal securities laws.

4. A participant has the option of submitting additional payments to AST, in any amounts of at least \$100, up to a maximum of \$5,000 per month, for the purchase of Fund shares for his or her account. These payments may be made electronically through [www.astfinancial.com](http://www.astfinancial.com) or by check payable to "American Stock Transfer and Trust Company, LLC" and sent to American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, Attention: Templeton Dragon Fund, Inc. AST shall apply such payments (less a \$5.00 service charge and less a pro rata share of trading fees) to purchases of Fund shares on the open market, as discussed below in paragraph 6. AST shall make such purchases promptly on approximately the 15th of each month or, during a month in which a dividend or distribution is paid, beginning on the dividend payment date, and in no event more than 30 days after receipt, except where necessary to comply with provisions of Federal securities law. Any voluntary payment received less than two business days before an investment date shall be invested during the following month unless there are more than 30 days until the next investment date, in which case such payment will be returned to the participant. AST shall return to the participant his or her entire voluntary cash payment upon written notice of withdrawal received by AST not less than 48 hours before such payment is to be invested. Such written notice shall be sent to AST by the participant, as discussed below in paragraph 14.

5. For all purposes of the Plan: (a) the market price of the Fund's shares on a particular date shall be the last sale price on the New York Stock Exchange on that date if a business day and if not, on the preceding business day, or if there is no sale on such Exchange on such date, then the mean between the closing bid and asked quotations for such shares on such Exchange on such date, and (b) net asset value per share of the Fund's shares on a particular date shall be as determined by or on behalf of the Fund.



## TERMS AND CONDITIONS OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

6. Open market purchases provided for above may be made on any securities exchange where Fund shares are traded, in the over-the-counter market or in negotiated transactions and may be on such terms as to price, delivery and otherwise as AST shall determine. Participant funds held by AST uninvested will not bear interest, and it is understood that, in any event, AST shall have no liability in connection with any inability to purchase Fund shares within 30 business days after the payable date for any dividend or distribution as herein provided, or with the timing of any purchases effected. AST shall have no responsibility as to the value of the Fund shares acquired for participant accounts. For the purposes of purchases in the open market, AST may aggregate purchases with those of other participants, and the average price (including trading fees) of all shares purchased by AST shall be the price per share allocable to all participants.

7. AST will hold shares acquired pursuant to this Plan, together with the shares of other participants acquired pursuant to this Plan, in its name or that of its nominee. AST will forward to participants any proxy solicitation material and will vote any shares so held for participants only in accordance with the proxies returned by participants to the Fund. Upon written request, AST will deliver to participants, without charge, a certificate or certificates for all or a portion of the full shares held by AST.

8. AST will confirm to participants each acquisition made for an account as soon as practicable but not later than 60 business days after the date thereof. AST will send to participants a detailed account statement showing total dividends and distributions, date of investment, shares acquired and price per share, and total shares of record for the account. Although participants may from time to time have an undivided fractional interest (computed to three decimal places) in a share of the Fund, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to participant accounts. In the event of termination of an account under the Plan, AST will adjust for any such undivided fractional interest in cash at the market price of the Fund's shares on the date of termination.

9. Any share dividends or split shares distributed by the Fund on shares held by AST for participants will be credited to participant accounts. In the event that the Fund makes available to its shareholders transferable rights to purchase additional Fund shares or other securities, AST will sell such

rights and apply the proceeds of the sale to the purchase of additional Fund shares for the participant accounts. The shares held for participants under the Plan will be added to underlying shares held by participants in calculating the number of rights to be issued.

10. AST's service charge for capital gains or income dividend purchases will be paid by the Fund when shares are issued by the Fund or purchased on the open market. AST will deduct a \$5.00 service charge from each voluntary cash payment. Participants will be charged a pro rata share of trading fees on all open market purchases.

11. Participants may withdraw shares from such participant's account or terminate their participation under the Plan by notifying AST in writing. Such withdrawal or termination will be effective immediately if notice is received by AST not less than ten days prior to any dividend or distribution record date; otherwise such withdrawal or termination will be effective after the investment of any current dividend or distribution or voluntary cash payment. The Plan may be terminated by AST or the Fund upon 90 days' notice in writing mailed to participants. Upon any withdrawal or termination, AST will cause a certificate or certificates for the full shares held by AST for participants and cash adjustment for any fractional shares (valued at the market value of the shares at the time of withdrawal or termination) to be delivered to participants, less any trading fees. Alternatively, a participant may elect by written notice to AST to have AST sell part or all of the shares held for him and to remit the proceeds to him. AST is authorized to deduct a \$15.00 service charge and a trading fee of \$0.12 per share for this transaction from the proceeds. If a participant disposes of all shares registered in his name on the books of the Fund, AST may, at its option, terminate the participant's account or determine from the participant whether he wishes to continue his participation in the Plan.

12. These terms and conditions may be amended or supplemented by AST or the Fund at any time or times, except when necessary or appropriate to comply with applicable law or the rules or policies of the U.S. Securities and Exchange Commission or any other regulatory authority, only by mailing to participants appropriate written notice at least 90 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by participants unless, prior to the effective date thereof, AST receives written notice of the termination of a participant account under the Plan. Any such amendment may include

## **TERMS AND CONDITIONS OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN** (continued)

an appointment by AST in its place and stead of a successor Plan Administrator under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by AST under these terms and conditions. Upon any such appointment of a Plan Administrator for the purpose of receiving dividends and distributions, the Fund will be authorized to pay to such successor Plan Administrator, for a participant's account, all dividends and distributions payable on Fund shares held in a participant's name or under the Plan for retention or application by such successor Plan Administrator as provided in these terms and conditions.

13. AST shall at all times act in good faith and agree to use its best efforts within reasonable limits to ensure the accuracy of all services performed under this Agreement and to comply with applicable law, but shall assume no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by AST's negligence, bad faith or willful misconduct or that of its employees.

14. Any notice, instruction, request or election which by any provision of the Plan is required or permitted to be given or made by the participant to AST shall be in writing addressed to American Stock Transfer and Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or [www.astfinancial.com](http://www.astfinancial.com) or such other address as AST shall furnish to the participant, and shall have been deemed to be given or made when received by AST.

15. Any notice or other communication which by any provision of the Plan is required to be given by AST to the participant shall be in writing and shall be deemed to have been sufficiently given for all purposes by being deposited postage prepaid in a post office letter box addressed to the participant at his or her address as it shall last appear on AST's records. The participant agrees to notify AST promptly of any change of address.

16. These terms and conditions shall be governed by and construed in accordance with the laws of the State of New York and the rules and regulations of the U.S. Securities and Exchange Commission, as they may be amended from time to time.

Investors should be aware that the value of investments made for the Fund may go down as well as up. Like any investment in securities, the value of the Fund's portfolio will be subject to the risk of loss from market, currency, economic, political and other factors. The Fund and its investors are not protected from such losses by the investment manager. Therefore, investors who cannot accept this risk should not invest in shares of the Fund.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**Annual Report**  
**Templeton Dragon Fund, Inc.**

**Investment Manager**  
Templeton Asset  
Management Ltd.

**Transfer Agent**  
American Stock Transfer & Trust Co., LLC  
6201 15th Avenue  
Brooklyn, NY 11219  
Toll Free Number: (800) 416-5585  
Hearing Impaired Number: (866) 703-9077  
International Phone Number:  
(718) 921-8124  
[www.astfinancial.com](http://www.astfinancial.com)

**Fund Information**  
(800) DIAL BEN® /  
342-5236