Observation of results of extant studies on compliance with corporate governance and corporate performance is inconclusive and show that such is highly dependent on the industry sectors, country and time periods. Furthermore, in the Sri Lankan context, there is dearth of studies that examines this relationship in the hotel sector. Accordingly, this study attempts to bridge these gaps by examining the relationship between the level of compliance of corporate governance principles and corporate performance of listed hospitality firms in Sri Lanka. The population for this study consisted of 37 listed hotel and travel companies listed under the Colombo Stock Exchange. This study used Random sampling to select the 15 companies as sample for a 8 year period from 2009 to 2016. In order to measure the compliance with corporate governance, a comprehensive Corporate Governance index (CGI) was constructed using five sub-indices and that contained 132 sub-principles, which were based on the CA Sri Lanka, OECD and UK corporate governance codes. The five sub-indices used included dimensions on, Board of Directors, Information and Disclosure, Stakeholders, Shareholders and CEO and Management. Financial performance is measured using Return on Assets (ROA) and Return on Equity (ROE), and four control variables including firm age, firm size, leverage and Firm Growth has been used in this study. In terms of results, in the year 2009, CGI values was low (46 out of 100) but have improved in the year 2016 with CGI with a higher value (64 out of 100). Further, panel regression results indicate that firms with higher compliance with corporate governance principles were positively associated with better corporate financial performance (i.e., both for ROA and ROE). Thus, overall, this study provides empirical support for the agency and Stakeholder perspective, where hotel sector firms in Sri Lanka benefit from higher financial performance when they adopt good governance principles. Accordingly, this study is expected to have significant policy implications on the hotel sector.

**Keywords:** Corporate Governance Index, Agency Perspective, Stakeholder Perspective