This study examines the effect of share pledge on earnings persistence and the mechanism explains the effect using Chinese data. We find that both the existence of share pledge and the percentages of pledged shares are negatively related to firms’ earnings persistence and the results are robust to the Heckman two-stage model and propensity score matching method. Our results indicate that firms with share pledge are more likely to engage in earnings management, ultimately resulting in diminished earnings persistence. We further find that the negative effect of share pledge on earnings persistence is mitigated when firms have good disclosure quality or are subject to better audit monitoring.